

ANNUAL BUDGET OF  
LEKWA LOCAL MUNICIPALITY



2013/14 TO 2015/16  
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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### Abbreviations and Acronyms

BPC	Budget Planning Committee	MIG	Municipal Infrastructure Grant
CFO	Chief Financial Officer	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DoRA	Division of Revenue Act	MTEF	Medium-term Expenditure Framework
DWA	Department of Water Affairs	MTREF	Medium-term Revenue and Expenditure Framework
EE	Employment Equity	NERSA	National Electricity Regulator South Africa
EM	Executive Mayor	NGO	Non-Governmental organisations
FBS	Free basic services	NKPIs	National Key Performance Indicators
GAMAP	Generally Accepted Municipal Accounting Practice	OHS	Occupational Health and Safety
GDP	Gross domestic product	OP	Operational Plan
GFS	Government Financial Statistics	PBO	Public Benefit Organisations
GRAP	General Recognised Accounting Practice	PHC	Provincial Health Care
HR	Human Resources	PMS	Performance Management System
IDP	Integrated Development Strategy	PPE	Property Plant and Equipment
IT	Information Technology	PPP	Public Private Partnership
kℓ	kilolitre	SALGA	South African Local Government Association
km	kilometre	SAPS	South African Police Service
KPA	Key Performance Area	SDBIP	Service Delivery Budget Implementation Plan
KPI	Key Performance Indicator	SMME	Small Micro and Medium Enterprises
kWh	kilowatt		
ℓ	litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act		

## **Part 1 – Annual Budget**

### **1.1 Mayor's Report**

Honourable Speaker Cllr LBR Dhlamini

Chief Whip of Council Cllr SG Msibi

Honourable Members of Mayoral Committee Cllrs BG Sekhonde and M Ntuli

Honourable Councillors present here

Executive Mayors, Speakers and Chief Whips of our Neighbouring Municipalities

Chairpersons and members of Council Committees (section 79)

Leaders of political parties present here

Chairperson of MPAC Cllr M S Zacarias and Municipal Public Accounts Committee (MPAC) members

Chairperson of the Audit Committee Mr A C Keyser and members

Municipal Manager Mr LB Tshabalala and the entire management team of Lekwa

Leaders from various religious denominations

Representatives from the business fraternity, private sector and other institutions

Senior officials from Sector Departments

Delegates from our Government parastatals

Our Traditional Healers

Esteemed Guests

Ladies and Gentlemen

All protocol observed

Good afternoon

Honourable Speaker on behalf of our Municipality and the people of Lekwa, allow me to extend my heartfelt welcome to all and also to thank everyone present here for making time to be part of today's gathering, the State of the Municipality Address (SOMA).

Distinguished guests, ladies and gentlemen your presence here show a joint effort—and commitment towards reaching a shared common destination of ensuring that a better life become a reality and a better society is created for all our people.

Honourable Speaker, it is with a deep sense of gratitude, as I look back, that last year in the same month, I was standing in the same hall delivering the budget speech which intended to respond to the needs of our people as guided by our blue prints for planning and development, which are the Integrated Development Plan and the Budget.

Honourable Speaker we are gathered here today for the same reason again, to deliver the 2013/2014 budget speech and also to reflect on the state of our Municipality, especially in relation to performance on commitments made. It is worth mentioning that achieving a better life for all remains our focal point despite the challenges we are faced with as local Government and as a State.

Honourable Speaker the past few months have been a frenzy period of planning, consultations, adjustments and juggling figures around. It takes quite long to finalize the Municipal Integrated Development Plan and the Budget. We are assembled here to reflect on the state of our Municipality, not only as a matter of compliance, but also to give feedback to our people and assess our performance through your eyes. Today's gathering is witnessing our on-going commitment to remain accountable and in touch with our people with the intention to improve delivery and quality service as per our mandate.

Honourable Speaker and fellow Councillors, I want to make it clear to everyone assembled here that our 2013/2014 budget and IDP is a product of continuous engagements with our people and as such it can be said with absolute certainty that this Budget and IDP is truly a ward based product, because all wards were consulted on both the IDP and the Budget. In spite of wards 8 and 10 attracting fewer people at these meetings, I know and believe that there were many people who have been involved in this process. For that, we extend our heartfelt gratitude to all of you, who made your unreserved positive contribution towards the compilation of the IDP and the finalization of our 2013/2014 budget.

Honourable Speaker, today's event is not just a symbolic event but a practical expression of people wanting to effect positive change. Speaker let me take this opportunity to reflect on our successes, challenges and lessons learned in the 2012/2013 financial year.

Honourable Speaker and councillors, I stand here confident in my view that the ANC led Government will never shift its goal posts when it comes to accountability and taking full responsibility for what was promised to the people of this country. Speaker our 2011 local

manifesto remains relevant and it still is our most important guiding instrument for the development of Lekwa. Our manifesto became the solid foundation of my last year's budget speech during which we had committed to among other things, do the following:

**To build local economies to create more employment, decent work and sustainable livelihoods:**

To this end we have achieved the following-

**Job creation**

- A total of 1020 Job opportunities were created by government and the private sector
- Lekwa municipality created 16 permanent jobs and 15 temporary jobs
- Through the Expanded Public Works Programme, 30 Jobs were created
- Phezu Komkhono Project created 86 Job opportunities
- 304 job opportunities were created with the Vlakfontein canal refurbishment project in Ward 12
- Noble Resources' Standerton Soya Seed Crushers project has created 390 jobs during the construction phase of the factory
- The Khuthele project for the construction of a dam in Ward 12 Thuthukani has created 52 jobs
- 127 jobs have been created through the reconstruction of R39 road between Amersfort and morgenzone
- Astral (Early Bird Chicken Feed) has also started with construction, and more jobs opportunities will be created from this project.

Honourable Speaker, last year in my budget speech I mentioned the construction of a shopping mall in Rooikoppen, and the development of a shopping mall in Walter Sisulu Drive. These development were delayed due to some administrative processes, but I am still reaffirming that these projects will take off the ground within this new coming financial year.

**Attracting new major investments in Lekwa**

- Construction of the Noble Resources soya bean crushers project in Standerton has started. Their landmark towers and seed containers have changed the face of Standerton's industrial area.
- Early Bird within the Astral Group has also started construction of a plant next to the Noble Resource plant.
- The establishment of Standerton Ext 8 (Selection Park) and the project launch which took place on the 22<sup>nd</sup> April 2013, will see major mixed residential development for the area that will change the Wooltextile / Early Bird area for the better.
- Construction of a Clinic by Anglo Coal (New Denmark) in Rooikoppen, Sakhile Extension 4 is progressing well.

- With the assistance of DARDLA the long awaited Chicken broiler in Morgenzon is now completed, and will soon be handed over to the beneficiaries.
- The reconstruction of the R23 road between Standerton and Greylingstad has started. This road has always been a serious concern for our communities residing in wards 7, 9 and 15. Honourable Speaker, this project will be a direct response to try and minimize the road injuries and fatalities witnessed on a regular basis on this stretch of road.

### **Skilling our People**

- Lekwa Municipality has awarded bursaries to four deserving students from the budget allocation of R 250 000.00 and we continue to assist these students in 2013.
- Lekwa have trained 34 unemployed young people in the following skills areas:
  - ❖ 10 Electrical apprentices
  - ❖ 5 Plumbing apprentices
  - ❖ 4 Mechanical apprentices
  - ❖ 11 Fire and rescue services
  - ❖ 4 Finance apprentices
  - ❖ 135 operators at NQF level 3
- Noble Resources is also currently training additional people as part of our country's national skilling program;
- Working with our partners Sasol in the project called Junior Achiever, 30 young people have been trained on business management skills. I am glad to report that some of these young people have started their own businesses.

### **Improved and broadened public service delivery**

With the Census 2011 completed and the results released, going forward, use of available census information will be critical for all our future planning. I must say that when looking at where we are coming from in terms of basic service delivery, Lekwa's performance has improved from where it was between 1996, 2001 and 2011. According to Stats SA, the following is a brief picture of what Lekwa looks like:

- Total population of 115 662 (One hundred and fifteen thousand six hundred and sixty two) people
- And 31 071 (Thirty one thousand and seventy one) households compared to just over twenty five thousand in 2001
- Formal dwellings have increased from 13 692 (thirteen thousand six hundred and ninety two) in 2001 to 22 858 (twenty two thousand eight hundred and eighty five) dwellings in 2011
- A total of 28 146 (twenty eight thousand one hundred and forty six) households have piped water in their yard whereas in 2001 only 16 948 (sixteen thousand nine hundred and forty eight) households had access to piped water in their yards.



- 26 900 (twenty six thousand nine hundred) households have flush toilets yet in 2001 only 14 547 (fourteen thousand five hundred and forty seven) households had access to flush toilets. The number of pit latrines have been reduced from 3 689 in 2001 to 1 980 in 2011.
- Electricity usage for lighting is at 27 538 up from 14 953, for cooking at 25 025 up from 10 821 and for heating at 18 812 up from 9 716.
- Refuse removal by the Municipality is at 25 808, up from 14 885 in 2001.

It must be mentioned that in most instances of households without any level of basic services, these are mostly in those areas where people have decided to illegally invade land and where the feasibility of developing those areas will not be cost effective.

### **Water and Sanitation**

- Two turbine raw water pumping units have been procured in order to abstract water from the river to the treatment plant. These pumps will be installed before 31 August 2013
- 286 VIP toilets have been installed in the three rural wards 9,12 and13
- 2 boreholes with windmills have been installed in the rural areas and an additional 4 will be installed by 30 June 2013
- 1165 water meters have been removed from inside the yards and the programme to fix all water meter related problems is on going
- Sewer treatment plant phase one is close to completion, and phase 2 is under construction as we speak
- Rural communities are being supplied with potable water on daily basis using water tankers

### **Electricity provision**

- 53 households relocated from the clinic site in ward 11 Rooikopen have been electrified
- 58 rural households have been electrified
- 8 high mast lights have been erected and commissioned
- 1500 street lights have been repaired
- 24 new service connection were done in Lekwa
- 93 new prepaid electricity meters were installed as per application by our consumers
- The electrification of 150 pre-1994 housing stock units will be completed by 30 June 2013

### **Building more united, non-racial, integrated and safer communities**

- Council have approved the Spatial Development Framework which is intended to address the disjointed approach of the previous patterns of social development
- Developers have been appointed to develop Standerton Ext 8 which will have 4300 residential sites consisting of mixed residential development, which will cater for RDP

housing units as well as the middle to high income earners. There will also be high density accommodation development.

- To manage and address the high demand for residential development, we are considering another new township development in Standerton, but we make a humble appeal to all law abiding citizens to be patient, and not promote land invasions. Informal settlements are not safe for human habitation. Those who have already illegally occupied land are advised that they relocate back to wherever they came from.
- Honourable Speaker HIV/Aids remains a life threatening disease and scourge against our vision of building safer communities. According to Stats SA 16.6% of the country's adult population including those aged between 15-49 years is living with HIV. Mpumalanga still remains second highest in terms of HIV and, unfortunately within the province, Gert Sibande District has the highest prevalence with Lekwa ranking as highest in 2010. This needs a joint effort from both government and private sector and together as the municipality we will intensify the fight against this scourge.

#### **Promote more active community participation in local government**

- The Municipality have approved the ward committee system as required by the Municipal Structures Act.
- Ward operational plans are in place and approved by Council and are being implemented.
- A public participation indaba was held as a platform and mechanism for stakeholders to engage on possible solutions to strengthen public participation in the affairs of local government and the Municipality in particular.
- Ward committees were launched in 14 of the 15 wards of the Lekwa Municipality.
- All ward committee members were inducted and trained to be able to perform their respective duties.
- All ward committee secretaries were trained on minute taking and other administrative skills.
- Each ward committee's secretary has been given a laptop as part of administrative support.
- All ward committee members are now compensated with, their out of pocket allowance which Council have budgeted for as part of administration for ward committees.
- The public has constantly engaged with the Municipality through Mayoral Izimbizo, IDP consultations, ward meetings, through the municipal web site, print media, including the our local newspapers.
- The public participation process is supported through the Office of the Speaker
- Public participation is linked with the program of the Community Development Workers.

Honourable Speaker, I would like to extend my unreserved words of appreciation to COGTA, especially the Monitoring and Evaluation Unit which supports our Public Participation Unit. A special thanks to the section within COGTA that is responsible for the

management of the Thusong Service Centres, for their continuous support to our communities. Through these centres, several services are brought closer to our communities. This positive contribution made towards the betterment of our people is welcomed by the leadership and the people of Lekwa.

**Ensure more effective accountable and clean local government working with other spheres of government:**

Our Municipality obtained yet another negative audit outcome, a disclaimer, and that must be a worrying factor for all of us. This cannot be allowed to continue forever, we must all work together and pull our weight to turn the situation around. 2014 remains the targeted year where clean audits must be obtained by all municipalities in the Province, including Lekwa. We immediately after receiving the report, developed an audit action-plan, which we continuously monitor and evaluate in order to address and reverse all the negative audit findings, the main ones being the opening balances, Asset Register, and Valuation Roll. We have since updated and corrected the valuation roll for implementation with effect from 1 July 2013.

Honourable Speaker, Council took an important step of establishing structures and putting plans in place which serve as control measures that seeks to improve compliance and oversight responsibilities by politicians and adherence to legislative requirements by administration.

The plans and structure includes among others the following:

- An established and functional Municipal Public Accounts Committee
- An established and functional Audit Committee
- A staffed and functional Internal Audit unit
- A risk-based audit plan is in place to ensure that we adhere to all legislative requirements and improve our internal controls after a risk assessment was done
- A Fraud prevention plan is in place
- The Rules and Ethics Committee is established and functional
- All our employees wear name tags for identification purposes
- A Performance management system is in place and a dedicated official has been appointed to ensure that performance monitoring and evaluating does take place.
- The 2011/2012 Annual report was adopted in time as required by legislation
- Before the end of this financial year, we will have a full staff compliment of section 56 managers. Three interviews were conducted and completed and very soon, we will conduct interviews for the last post and finalise the appointment.

Honourable Speaker, I therefore urge each and every one of us, both Politicians and the Administration to join hands to ensure that our structures and plans are fully supported and implemented in order to meet the envisaged goal of creating accountable and clean local government.

Honourable Speaker, our Municipality fully supports our honourable Premier DD Mabuza, who during the 2013 State of the Province Address stressed many times the importance that government officials must not do business with government while in the service of the state. It was evident that previous audit findings proved that there were government officials and even Councillors who have previously done business with government while in the service of the state.

Honourable Speaker I am therefore, as the political head of this institution officially announcing that Lekwa Municipality will not at any time be apologetic to take disciplinary action against those, with the intention of dismissing any person irrespective of position, whether a councillor or an official, who behave contrary to our commitment of not allowing any state employees to do or even attempt to do business with the Municipality or any sphere of government. This is solely for the sake of creating a clean government.

Honourable Speaker those who wish to do business they are at liberty to do so but as long as they have resigned from the service of the state.

Honourable Speaker, I am instructing the Administration without, interference in supply chain processes, that the remaining months in the current financial year and the next financial year, all officials must ensure that all procurement of goods and service be done within the prescribed legislation and keep all the necessary proof of all expenditure incurred. Payment of all our creditors on time must be prioritised to avoid interest charged and also not to add financial burden to our emerging businesses. It is a known fact from AG that municipalities fail to produce proof of expenditure; from now onward this must be history in Lekwa and must under no circumstances be tolerated.

Honourable Speaker and Councillors as the institution we are faced with challenges that need collective efforts to deal with. Speaker, allow me to mention some of those challenges:

- The ageing infrastructure including electrical, water and sanitation
- Continuous interruption of water and electric supply to our people especially, in Stanfield Hill, ward 7, part of ward 5 and other areas of Sakhile
- The culture of non-payment for services by our communities
- Mushrooming of informal settlements, to which I have alluded earlier, which causes infrastructure backlogs for our people residing in those areas
- Not responding to community complaints timeously due to limited resources
- Our billing system, which sometimes give reasons for people not to pay for services.

Honourable Speaker and Councillors, this need our urgent attention to change the current situation around for the better.

Honourable Speaker it is my sad admission that we continue to see a decline in our revenue base, due to a low collection rate, unwillingness by communities to pay for their services and stealing

of electricity through breaching and illegal connections. I am aware that there are those who can afford to pay but are hiding behind indigent people. Honourable Speaker we need to come up with a permanent solution to stop this problem. Council will ensure that all possible means are taken to ensure all the short comings are history, as local government we will encourage more private sector partners to partner with us, in order to solve the above mentioned challenges that we are currently facing. In the past financial year, we averaged around a 70% (seventy percent) revenue collection rate. We know that this can be improved.

Honourable Speaker I will not have enough time to explain the advantages of Public Private Partnerships, but two advantages that I am sure about is that our revenue can increase and job opportunities can be created through such partnerships. I cannot wait to see administration implementing the said Council resolution.

Honourable speaker we have learned the hard way, seeing our communities without water and electricity. We need to take this as a learning curve and improve the situation and as we are budgeting now we will ensure that our budget responds to those challenges with repairs and maintenance as a priority. We are still a far cry from the ideal in terms of what we should be spending on repairs and maintenance, but we have made sure that we no longer neglect this priority.

Honourable Speaker, I am of the firm view that working together with all our people including government parastatal, private sector and sector department we can turnaround the current situation and do the best with the little resources we are currently having.

Honourable Speaker allow me to take this opportunity to thank and congratulate your office, for ensuring that all the planned IDP and budget consultative meetings were well attended by our communities, please pass my unreserved words of appreciation to those officials in the public participation unit and also not forgetting the accounting officer for the support of ensuring that resource are allocated accordingly to fulfil this mandate.

Honourable Speaker, may I now get into the subject of today's gathering, the budget is a piece of annual history, which touches lives of all people irrespective of race, colour, creed, political affiliation or material standing. It has an impact on our daily lives that is why it is important for all of us to be positive participants in the budgetary process. The inputs received from various stakeholders and communities far and wide had a bearing on this budget being tabled today, our final product that we have been working on for the last few months.

Honourable Speaker as mandated by chapter 7 section 52 Act 56 of 2003 of the Municipal Finance Management Act, let me first start by confirming that the 2013/2014 budget has been prepared in line with chapter 4 section 16 Act 56 of the Municipal Finance Management Act to be as credible and realistic as possible.

Honourable Speaker it is critical for me to explain that a budget is actually a theoretical plan, not physical cash, but money we anticipate to collect from consumers in order to fund all our projects and keep the Municipality in operation. I am highlighting this matter so that we have a common understanding of the subject. For the next year, we have to take a sharp turn, in order for our budget to be closer to being cash backed, with a reduced and acceptable deficit, enough provision for bad debt and also acceptable provision for depreciation. We will not see the results immediately, but in the next two annual budgets, we hope to show and see these results. We will have a budget aligned to the principles of economy, efficiency and effectiveness.

Honourable Speaker I am pleased to announce the 2013/2014 budget as follows and we anticipate to collect revenue on the following areas, for us to fulfil our developmental mandate we need to increase basic surcharges.

Our proposed tariff increase for 2013/2014 financial year is as follows

Electricity ..... 7.03%

Water .....5.6%

Refuse .....5.6%

Sewerage..... 5.6%

Cemeteries..... 5.6%

Rental of Facilities .....5.6%

Property rates 5.6%

**Expected or estimated income is R449,3 million (excluding capital ,transfers and contributions)**

Honourable Speaker it is a known fact that the money we anticipate to collect will be spent on the key areas of operations and capital. Our spending this year will be a total of R 606, 8 million

**On Transversal issues we will spend as follows:**

HIV/Aids R200 thousand

Mayoral Cup R250 thousand

Rights of Children R50 thousand

Youth Development R400 thousand

Moral regeneration R50 thousand

Bursaries R300 thousand

Public participation and ward committees R1,6 million

Honourable Speaker all our capital projects are aligned to the Integrated Development Plan of the institution. All the projects seek to improve the provision of basic services to all our people in formalised sites. The challenge we are faced with is the provision of these service to our rural communities. Despite the above said challenges, part of our budget will be spent to address rural backlog.

Honourable Speaker it has become a tendency of the Administration not to implement projects in time and later, request for the approval of rollover on projects or even additional funding to implement project which have exceeded its time. Speaker allow me to warn Administration to know that under spending is a serious and criminal offence which will not be allowed in this institution, in the same token I want to be clear that all the approved project must be implement within that financial year, failure to implement these projects will be not allowed by this Council and there will be no reason why we must keep anyone involved in delaying the processes.

The following capital project will be implemented in 2013/2014 financial year

1. Standerton waste water treatment works R14.8 Million
2. Graveling of roads within Lekwa Municipality R2 million
3. Installation of sanitation services for 53 households in ward 11 R1,2million
4. Construction of Multi- purpose community hall in ward 11 R7, Million
5. Sporting Facilities in Lekwa (cricket facility) in ward 15 R2 Million
6. Replacement of AC pipes with PVC pipes in Lekwa R6,2 million
7. Installation of VIP in Rural areas R3 million
8. Installation of boreholes with wind mills in rural areas R3, million
9. Installation of high mast lights in Lekwa R2 million
10. Refurbishment and upgrade Standerton landfill site phase3, R2 million
11. Conducting a ground water study in rural areas of Lekwa, R800 thousand
12. Beautification of Parks in Azalea R1 million
13. Electrification of 92 farm dwellers houses R2,2 million
14. Upgrading of Standerton water treatment works R4,2 million
15. Water quality testing R400 thousand
16. Maintenance of Potholes R500, thousand
17. Upgrading of Grootdraai dam R3,million
18. Upgrading of River park R1 million
19. Maintenance of boreholes in the rural areas R800 thousand
20. Completion Construction of 10mil reservoir R2 million

Total Capital projects amount to R59,1 million



Honourable Speaker people of Lekwa have trust in government under the leadership of the ruling party that all their concerns and needs one day will be addressed, that is why we see this long list of community needs contained in our IDP and nothing can be regarded as not important to fulfil.

Honourable Speaker, local government have a constitutional obligation to create a conducive environment for development, it is critical also to mention that private sector, other sphere of government and government parastatal also have responsibility of ploughing back in the communities in a form social responsibility and other important program, speaker in the light of the above I would like to invite and challenge our businesses present here today to partner with the municipality to contribute in the development of our communities, by making a commitment to support or adopt some of the projects as part of the social responsibilities.

Honourable Speaker it will be my pleasure to sign a partnership pledge with some of the organization present here under the theme which says, **MY MUNICIPALITY, MY SERVICE AND MY FUTURE**. This theme define partnership with a common understand with different responsibility to achieve a common goal.

My Municipality will mean that this Municipality belong to all of us, the services I render to ensure that this municipality meet the expectation of its communities; my contributions towards development will leave a legacy for our future generations.

Speaker, in conclusion allow me to borrow words of wisdom from our hero Nelson Mandela when he said, and I quote *“The way in which we will achieve our goals are bound by context, changing with circumstances even while remaining steadfast in our commitment to vision”* close quote.

*Our vision is “to be a people centred Municipality, excelling in economic growth development and good governance”.*

Honourable Speaker working together with all stakeholders, we will achieve our envisaged goal. Honourable Speaker it must be known by all of us that Local Government is everybody’s business and your positive contribution is always welcome.

I want to thank my family for their constant support and understanding, my family in the office, it will be inappropriate for me not to thank all the man and women of God for their continuous prayers for the institution.

Once again, thanks to all of you ladies and gentlemen for attending this event and participating in our concluded IDP and budget process.

Honourable Speaker, in line with section 16 of the MFMA, I would like to submit to Council and request Council to approve the 2013/2014 Integrated Development Plan, the 2013/2014 organogram and the budget and all budget related policies namely:



- Budget policy
- Asset management policy
- Credit control and debt collection policy
- Property rates policy
- Tariff policy
- Supply Chain management policy
- Indigent policy

Honourable Speaker, it is also recommended that the LED Forum be revived before the end of June 2013 as per Item A51 recommendation 5.

**I thank you**

**Kea lebokga**

## **1.2 Council Resolutions**

On 28 May 2013 the Council of Lekwa Local Municipality met in the Standerton Town Hall to consider the annual budget of the municipality for the financial year 2013/14. The Council approved and adopted the following resolutions:

1. The Council of Lekwa Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual budget of the municipality for the financial year 2013/14 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table A6;
    - 1.2.2. Budgeted Cash Flows as contained in Table A7;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;
    - 1.2.4. Asset management as contained in Table A9; and
    - 1.2.5. Basic service delivery measurement as contained in Table A10.

2. That the report of the Executive Mayor (Municipal Manager) regarding the annual budget for the 2013/2014 financial year and the Medium Term Revenue and Expenditure Framework (MTREF) 2013/2014 – 2015/2016 financial years BE NOTED including the following:
  - (a) The principles upon which both the Operating Budget and Capital Budget have been based;
  - (b) Operating Revenue amounting to R 449, 343, 145;
  - (c) Operating Expenditure amounting to R 606, 875, 986 and Capital expenditure amounting to R 43, 308, 100;
  - (d) A provision of R 600 000 has been made for the leasing of vehicles
  - (e) That the 2013/2014 budget for both Operating Expenditure and Capital Expenditure totalling R 650, 184, 086;
  - (f) It is envisaging that credit control measures that have been put in place will ensure that the revenue budget on electricity sales is realized which will be utilized to cross subsidise other municipal services,
  - (g) The 8% increase on electricity bulk-purchase approved for ESKOM by NERSA;
  - (h) Pending approval by NERSA of the application made by Lekwa Local Municipality on the proposed 7.03% increase on electricity tariffs;
  - (i) The proposed 5.6% increase on property rates tariffs and water, refuse, sanitation and other service;
  - (j) National Treasury Circular 58, 59, 66 & 67 of the MFMA which encourage municipality to eliminate non-priority spending as well as indicating the available funding models of the municipal budget;
3. That the budget proposals for the financial year 01 July 2013 to 30 June 2014 as contained in the Medium Term Revenue and Expenditure Forecasts for the financial years 2013/2014 to 2015/2016, BE APPROVED;
4. That Council's Medium Term Revenue and Expenditure Forecasts for the financial years 2013/2014 to 2015/2016, BE APPROVED AND BE SUBMITTED to the National – and Provincial Treasuries;
5. That provision BE MADE for an 10% estimated increase in remuneration of councillors which still have to be announced in terms of the Public Office Bearers Act;
6. That the annual salary increase of 6.85% BE APPROVED, as per the multi years collective salary agreement between SALGA and labour unions;
7. That the tariffs increase as indicated in “**Annexure B**” BE MADE PUBLIC;
8. That Heads of Department Ensure that the revenue and expenditure of their relevant department/section is monitored regularly, and, should it be found that the estimate revenue would not be realised, the Budget and Treasury Office BE ADVISED accordingly in order for the revenue budget to be adjusted during the budget adjustment process;

9. That the proposed capital budget BE ENTIRELY BASED on the IDP priorities in order to achieve National targets on service provision;
10. That the Budget related policies as amended, BE APPROVED AND IMPLEMENTED with effect from 01 July 2013;
11. That the Manager Budget and Treasury BE REQUESTED to number descriptions referred to other expense or attached annexures identifying other expense referred to the report;
12. That projects BE IMPLEMENTED and progress made for long and short term BE TABLED to the next meeting of the relevant Committee;
13. That it BE NOTED that all political parties were given an opportunity to make inputs and the following remarks were inter alia made in respect of 2013/2014 budget presentation.
  - (a) Councillor P T Schnetler indicated that the following BE PRIORITISED and executed:
    - The filling of all key positions;
    - The Council to take action against officials who are not only incompetent but also to officials who are corrupt;
    - That residents be made aware that they should pay for the services
  - (b) Councillor P T Schnetler also indicated that DA will not support the adoption of 2013/2014 budget;
  - (c) Councillor S S Gumede of the PAC congratulated the marvellous speech delivered by the Executive Mayor. He further emphasised that the content of the speech should be implemented at its fullest.
  - (d) Councillor J B Mothopeng applauded the speech of the Executive Mayor, saying it was a nice speech because of dissatisfaction with the speaker conduct currently

(That Councillor P T Schnetler, J R de Ville, P Mphuthi, J L van Rensburg and J J van der Wath walked out of the town hall)

### 1.3 Executive Summary

The municipality is currently experiencing severe cash flow challenges as a result of the past performance and past poor planning. The challenges include the municipality not being able to pay its Eskom Account, Water Affairs and Licensing amongst other creditors. This was further evident on the municipality's inability to repair its aging infrastructure such as, sewer treatment plant, water pumpurification plant, roads etc. In an effort to combat this practice, during the 2012-13 Adjustment budget the expenditure was reduced to meet the current available revenue

as the municipality was spending at the rate high than its ability to generate income which resulted in some votes exceeding their available budget.

In terms of section 18 of the MFMA the municipality may only fund its budget from realistically anticipated revenue to be collected as well as cash-backed surpluses. Therefore the municipality must provide for expenditure in line with the revenue that can be collected and don't overstate the revenue as this will result in cash flow challenges. The current collection rate is 70% and with the current programmes in place such as debt management and electricity loss control is estimated that the revenue will grow with an additional 10% therefore the revenue collected can only fund the expenditure up to 80%. As a result none essential expenditures had to be reduced and removed.

The budget has to be cash-backed in order for the municipality to be able to implements its Service Delivery Budget Implementation Plans, therefore the municipality should not have a budget that reflect a cash deficit. Due to the implementation of the GRAP 17 Standard, it is permissible for the municipality to have a deficit that is equivalent to its depreciation amount as this is a none-cash item. But it should further be noted that the municipality should have in its reserves an amount equivalent to its depreciation in order for the municipality to have sufficient funds to replace the assets when it becomes obsolete and redundant. The current depreciation is provided for at R 134 million and the operating deficit should not exceed the depreciation.

As a norm the municipality should provide between 5-8% (R28mil) of its budget to repairs & maintenance but due to cash flow challenges this will be phased in over the MTREF. Furthermore additional 40% of the capital project should be channelled towards the replacement of aging infrastructure.

National Treasury has issued guidelines circular 55,58,59, 66 &67 amongst others which emphasises that during this tough economical period the municipalities should tighten their spending and reduced unnecessary or nice to have expenditures, improve and prioritise service delivery

In preparation of the 2013/14MTREF it was pivotal ensuring that the budget is funded and affordable in terms of the municipal budget reporting regulation. The municipality had to reduce overtime by 60% and the filling of vacancies will be halted until the municipality's cash flow improves, only critical positions that will also reduce overtime will be filled in the next financial year.

Attached are budget related policies which should be adopted by council.

The main challenges experienced during the compilation of the 2013/14 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;

- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- The high unemployment rate of the local community

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2013/14 MTREF**

MP305 Lekwa - Table A1 Budget Summary								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Financial Performance</b>								
Property rates	33 284	33 260	33 815	36 885	20 261	41 789	43 879	46 073
Service charges	147 146	165 219	191 623	267 438	259 968	280 047	294 050	308 755
Investment revenue	450	767	729	818	577	606	637	669
Transfers recognised - operational	49 641	64 309	73 178	84 124	83 559	86 670	90 043	93 106
Other own revenue	24 493	21 565	34 383	28 421	25 332	40 231	42 276	44 419
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>255 015</b>	<b>285 120</b>	<b>333 727</b>	<b>417 685</b>	<b>389 697</b>	<b>449 343</b>	<b>470 885</b>	<b>493 022</b>
Employee costs	72 600	98 055	91 311	115 262	104 141	105 957	114 275	121 493
Remuneration of councillors	5 104	6 641	8 031	7 538	7 538	8 554	9 410	10 351
Depreciation & asset impairment	-	-	81 921	12 000	12 000	134 096	134 225	134 225
Finance charges	-	-	202	2 900	1 354	1 699	-	-
Materials and bulk purchases	94 804	129 092	169 270	170 772	170 216	200 936	217 018	234 050
Transfers and grants	1 535	6 798	8 466	7 558	17 863	20 290	21 305	22 370
Other expenditure	38 027	48 855	97 208	101 847	121 211	135 344	139 091	148 567
<b>Total Expenditure</b>	<b>212 070</b>	<b>289 441</b>	<b>456 408</b>	<b>417 877</b>	<b>434 323</b>	<b>606 876</b>	<b>635 324</b>	<b>671 057</b>
<b>Surplus/(Deficit)</b>	<b>42 945</b>	<b>(4 321)</b>	<b>(122 680)</b>	<b>(192)</b>	<b>(44 626)</b>	<b>(157 533)</b>	<b>(164 439)</b>	<b>(178 035)</b>

The proposed budget of Lekwa Local municipality totals R650, 184, 086 comprising of R606, 875, 986 for Operating expenditure and R43,308, 100 for Capital expenditure (see table 1 below). Both operating budget and capital budget will be funded from own operating revenue to the tune of R364, 208, 245 and grants and subsidy to the tune of R128, 443, 000, which totals to R492, 651, 245.

The estimated Operating revenue for 2013/14 financial year has grown by 15.30% or R59,6m when compared to the 2012/13 Adjustments Budget.

The estimated Operating expenditure for the 2013/14 financial year has grown by 39.73 % or R172m When compared to the 2012/13 Adjustments Budget.

The Capital budget of R43,3 m for 2013/14 is 5 percent less when compared to the 2012/13 Adjustment Budget. The decrease is due to the fact that various projects will be finalised in the current financial and the municipality does not have sufficient reserves to do internally funded.

## 1.4 Operating Revenue Framework

Lekwa Local Municipality continues improving the quality of services provided to its residents it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

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The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 80 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2013/14 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

MP305 Lekwa - Table A4 Budgeted Financial Performance (revenue and expenditure)								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue By Source</b>								
Property rates	33 284	33 260	33 815	36 885	20 261	41 789	43 879	46 073
Property rates - penalties & collection charges								
Service charges - electricity revenue	99 573	121 250	134 367	205 070	194 982	208 700	219 135	230 093
Service charges - water revenue	21 101	16 845	26 218	28 335	31 103	35 396	37 165	39 023
Service charges - sanitation revenue	16 756	18 041	21 248	22 473	21 692	22 920	24 067	25 271
Service charges - refuse revenue	9 716	9 083	9 790	11 561	12 192	13 031	13 683	14 368
Service charges - other								
Rental of facilities and equipment	1 216	791	(345)	862	749	792	838	885
Interest earned - external investments	450	767	729	818	577	606	637	669
Interest earned - outstanding debtors	16 897	16 048	18 450	20 269	13 487	15 585	16 365	17 184
Dividends received								
Fines	646	361	2 352	1 567	1 622	2 705	2 842	2 986
Licences and permits	4 597	3 288	12 396	4 494	8 649	20 263	21 278	22 344
Agency services								
Transfers recognised - operational	49 641	64 309	73 178	84 124	83 559	86 670	90 043	93 106
Other revenue	1 137	1 077	1 530	1 229	826	886	953	1 020
Gains on disposal of PPE								
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>255 015</b>	<b>285 120</b>	<b>333 727</b>	<b>417 685</b>	<b>389 697</b>	<b>449 343</b>	<b>470 885</b>	<b>493 022</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise more than 70 percent of the total revenue mix. In the 2013/14 financial year, revenue from rates and services charges totalled R321 million or 71.62 per cent. This increases to R337 million and R354 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 71.76 per cent in 2014/15 to 71.97 per cent in 2015/16. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity.

Property rates is the second largest revenue source totalling 9 per cent or R 41 million rand and increases to R 46 million by 2015/16. The third largest sources is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.



Operating grants and transfers totals R83 million in the 2013/14 financial year and steadily increases to R90 million by 2015/16. Note that the year-on-year growth for the 2013/14 financial year is 2 per cent and this is less than an average growth of 11 percent in the previous years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 3 Operating Transfers and Grant Receipts**

MP305 Lekwa - Supporting Table SA18 Transfers and grant receipts								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>RECEIPTS:</b>								
<b>Operating Transfers and Grants</b>								
National Government:	49 641	64 309	73 178	84 124	83 559	83 868	87 570	90 854
Local Government Equitable Share	49 427	62 872	69 959	79 068	79 068	81 428	85 036	88 237
Finance Management	214	150	1 713	1 250	1 250	1 550	1 600	1 650
Municipal Systems Improvement	–	1 238	1 506	800	800	890	934	967
Operating Transfers and Grants	–	48	–	3 006	2 441			
<b>Total Operating Transfers and Grants</b>	<b>49 641</b>	<b>64 309</b>	<b>73 178</b>	<b>84 124</b>	<b>83 559</b>	<b>83 868</b>	<b>87 570</b>	<b>90 854</b>
<b>Capital Transfers and Grants</b>								
National Government:	50 087	25 830	56 621	43 525	54 142	44 575	34 994	31 803
Municipal Infrastructure Grant (MIG)	35 643	19 830	53 783	41 780	52 397	41 318	33 994	28 803
Neighbourhood Development Partners	14 444	6 000		1 745	1 745			
Integrated Electrification Programme			1 389			2 201	1 000	3 000
Expanded Public Works Programme			1 449			1 056		
<b>Total Capital Transfers and Grants</b>	<b>50 087</b>	<b>25 830</b>	<b>56 621</b>	<b>43 525</b>	<b>54 142</b>	<b>44 575</b>	<b>34 994</b>	<b>31 803</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; C</b>	<b>99 729</b>	<b>90 139</b>	<b>129 799</b>	<b>127 649</b>	<b>137 700</b>	<b>128 443</b>	<b>122 564</b>	<b>122 657</b>

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Lekwa Local Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6percent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increase of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the Lekwa Local Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Lekwa Local Municipality's future financial position and viability.



It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the Lekwa Local Municipality is managing the gap between these cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Lekwa Local Municipality has undertaken the tariff setting process relating to service charges as follows. The municipality will review all of its tariff structures to ensure that they are cost reflective taking into consideration the fact that electricity and refuse removal are provided at loss when they should at least break-even or have an operating surplus of at least 10%. Refer to Annexure “B” for tariff increases that will be implemented as from 1<sup>st</sup> July 2014.

#### **1.4.1 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality’s budgeting process. The tariffs for property rates will be increased with 5.6%.

National Treasury’s MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly. The municipality has been granted extension in the implementation of the Municipal Property Rates Act until the end of June 2014. During the financial year of 2013-2014 the municipality has to do a General Valuation which will be implemented as from 1<sup>st</sup> July 2014.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R30 000 reduction on the market value of a property will be granted in terms of the Municipality’s own Property Rates Policy;
  - 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2013/14 financial year based on a 5 per cent increase from 1 July 2011 is contained below:

**Table 4 Comparison of proposed rates to levied for the 2013/14 financial year**

Category	Current Tariff (1 July 2012)	Proposed tariff (from 1 July 2013)
	C	C
Residential properties (House)	0,0069	0,0072
Residential properties (Flats & Sectional Share Title)	0,0069	0,0072
Business & Commercial	0,0080	0,0085
Agricultural Business/Farms	0,0020	0,0021
State owned properties	0,0075	0,0079
Industrial	0,0080	0,0085
Agricultural Residential	0,0017	0,0018
Public benefit organisation properties	0,0080	0,0085

#### 1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

A tariff increase of 5.6% from 1 July 2013 for water is proposed. This is based on the CPI assumption of 6percent increase in costs and another 2.05 percent increase to gradually move towards the target of cost reflective tariffs in 2014. In addition 6 kℓ water per month will again be granted free of charge to all households. The municipality will phase in a process where only registered indigent households will have access to 6 kℓ of free water.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

**Table 5 Proposed Water Tariffs**

CATEGORY	CURRENT TARIFFS 2012/13	PROPOSED TARIFFS 2013/14
	Rand per kℓ	Rand per kℓ
<b>RESIDENTIAL</b>		
(i) 1 to 10 kℓ per 30-day period	4,23	4,44
(ii) 11 to 25 kℓ per 30-day period	5,24	5,50
(iii) 26 to 50 kℓ per 30-day period	7,60	7,98
(iv) 51 to 9999 kℓ per 30-day period	10,71	11,24
<b>NON-RESIDENTIAL</b>		
(i) 1 – 10 kℓ per 30-day period	4,23	4,44
(ii) 11 – 25 kℓ per 30-day period	5,25	5,50
(iii) 26 – 9999 kℓ per 30-day period	7,59	7,98

### 1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. An 8% increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2013.

The consumer tariffs had to be increased by 7.3% to offset the additional bulk purchase cost from 1 July 2013. Indigent households will again be granted 50 kWh per month free of charge.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for Lekwa Local Municipality. The upgrading of Lekwa Local Municipality's electricity network has become a strategic priority, especially the substations and transmission lines.

The repairs and maintenance budget for 2013/14 for the Electricity Division can only be utilised for certain committed maintenance projects.

Owing to the high increase in electricity tariffs, it is clearly not possible to fund these necessary upgrades through more increases in the municipal electricity tariffs. The municipality is currently providing electricity on a loss amounting to 24% as a result this service is subsidised directly by water & sewerage which are operating at a substantial surplus.

The following table shows the impact of the proposed increases in electricity tariffs on the water charges for domestic customers:

**Table 6 Comparison between current electricity charges and increases (Domestic)**

<b>Monthly consumption kWh</b>	<b>Current amount payable R</b>	<b>Proposed amount payable R</b>	<b>Difference (Increase) R</b>	<b>Percentage change</b>
<b>0 – 50</b>	64,00	68,49	4,49	7.03%
<b>51 – 350</b>	80,00	85,62	5,62	7.03%
<b>351 – 600</b>	107,00	114,52	7,52	7.03%
<b>&gt;600</b>	125,00	133,78	8,78	7.03%

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the municipality. Most of the suburbs and inner city reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. It is therefore proposed that the taking up of loans as a strategy for funding of the infrastructure be considered and approved to spread the burden over the life span of the assets. As part of the 2013/14 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

#### **1.4.4 Sanitation and Impact of Tariff Increases**

A tariff increase of 5.6% for sanitation from 1 July 2013 is proposed. This is based on the input cost assumptions related to water. The following factors also contributed to the proposed tariff increase:

- Registered indigent households will enjoy the benefit of free sanitation on basic charges
- The proposed move to cost reflective tariffs by 2014.

The following table compares the current and proposed tariffs:

**Table 7 Comparison between current sanitation charges and increases**

CATEGORY	CURRE NT TARIFF 2012/13	CURRE NT TARIFF 2013/14
Domestic/Business	117.7 1	123.5 9
Sakhile	66.37	69.68
Morgenzon	43.08	45.23
Industrial	4.77	5

#### 1.4.5 Waste Removal and Impact of Tariff Increases

It is widely accepted that the rendering of this service should at least break even, which is currently the case. Lekwa Local Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of this service, as well as the other services be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle. The tariff increase of 5.6% for waste removal is proposed.

The following table compares current and proposed amounts payable from 1 July 2013:

**Table 8 Comparison between current waste removal fees and increases**

	CURRE NT TARIFF S 2010/11	PROPOS ED TARIFFS 2011/12
Domestic – Standerton	74.96	78.70
Domestic – Sakhile	53.56	56.23
Domestic – Morgenzon	52.56	55.18
Business – Standerton	196.34	206.15
Business – Morgenzon	104.46	109.68
Bulk	1106.48	1161.80
Vaccum Tanks	249.81	262.30

#### **1.4.6 Overall impact of tariff increases on households**

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

**Table 9 MBRR Table SA14 – Household bills**

MP305 Lekwa - Supporting Table SA14 Household bills								
Description	2009/10	2010/11	2011/12	Current Year 2012/13				
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Rand/cent								
<b>Monthly Account for Household - 'Middle Income Range'</b>								
Rates and services charges:								
Property rates		374.50	404.48	106.18	106.18	111.55	117.13	122.99
Electricity: Basic levy	44.85	53.37	64.25	71.34	71.34	76.55	82.14	88.13
Electricity: Consumption	655.50	788.50	940.50	1 045.00	1 045.00	1 121.29	1 203.14	1 290.97
Water: Basic levy	20.19	21.60	23.54	24.61	24.61	25.86	27.15	28.51
Water: Consumption	136.80	146.40	157.68	166.80	166.80	175.24	184.00	193.20
Sanitation	96.88	103.66	111.96	117.71	117.71	123.67	129.85	136.34
Refuse removal	42.60	45.58	49.23	57.48	57.48	60.39	63.41	66.58
Other								
sub-total	996.82	1 533.61	1 751.64	1 589.12	1 589.12	1 694.54	1 806.81	1 926.72
VAT on Services	139.55	162.27	188.60	206.62	206.62			
Total large household bill:	1 136.37	1 695.88	1 940.24	1 795.74	1 795.74	1 694.54	1 806.81	1 926.72
% increase/-decrease		49.2%	14.4%	(7.4%)	-	(5.6%)	6.6%	6.6%
<b>Monthly Account for Household - 'Affordable Range'</b>								
Rates and services charges:								
Property rates		267.50	288.92	75.84	75.84	79.64	83.62	87.80
Electricity: Basic levy	44.85	53.37	64.25	71.34	71.34	76.55	82.14	88.13
Electricity: Consumption	310.50	373.50	445.50	495.00	495.00	531.14	569.91	611.51
Water: Basic levy	20.19	21.60	23.54	24.61	24.61	25.86	27.15	28.51
Water: Consumption	108.30	115.90	124.83	132.05	132.05	138.73	145.67	152.95
Sanitation	96.88	103.66	111.96	117.71	117.71	123.67	129.85	136.34
Refuse removal	42.60	45.58	49.23	57.48	57.48	60.39	63.41	66.58
Other								
sub-total	623.32	981.11	1 108.23	974.03	974.03	1 035.96	1 101.74	1 171.82
VAT on Services	87.26	99.90	114.70					
Total small household bill:	710.58	1 081.01	1 222.93	974.03	974.03	1 035.96	1 101.74	1 171.82
% increase/-decrease		52.1%	13.1%	(20.4%)	-	6.4%	6.3%	6.4%
<b>Monthly Account for Household - 'Indigent' Household receiving free</b>								
Rates and services charges:								
Property rates								
Electricity: Basic levy	44.85	53.37	53.37	71.34	71.34	76.55	82.14	88.13
Electricity: Consumption								
Water: Basic levy	20.19	21.60	21.60	24.61	24.61	25.86	27.15	28.51
Water: Consumption								
Sanitation	96.88	103.66	103.66	117.71	117.71	123.67	129.85	136.34
Refuse removal	42.60	45.58	45.58	57.48	57.48	60.39	63.41	66.58
Other								
sub-total	204.52	224.21	224.21	271.14	271.14	286.46	302.54	319.56
VAT on Services	28.63	31.39	34.86	36.97	36.97			
Total small household bill:	233.15	255.60	259.07	308.11	308.11	286.46	302.54	319.56
% increase/-decrease		9.6%	1.4%	18.9%	-	(7.0%)	5.6%	5.6%

## 1.5 Operating Expenditure Framework

Lekwa Local Municipality's expenditure framework for the 2013/14 budget and MTREF is informed by the following:

- Repairs and maintenance backlogs;
- Balancing the budget (operating expenditure should not exceed operating revenue unless there are existing uncommitted cash-backed reserves to fund any deficit);
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme and backlog eradication; and
- Funding the capital budget and other core services by operational gains and efficiencies.

The increase in employee related costs for the 2013/14 financial year have been budgeted at a rate of 6.85% for the 2013/14 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). In compiling the salary budget for Councillors, a 10 percent increase was provided based on the most recent proclamation which came into effect in July 2011.

Note that the application of Directive 4 with regard to the phasing in of depreciation (GRAP 17) has resulted in a significant decrease in depreciation this charge will however increase significantly in the ensuing years, but it will not have an effect on tariffs as this charge is excluded when determining tariffs. The budgeted amount for depreciation amounts to R134m.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been accounted for in the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5 for 2013/14.

Included in this cost component is the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Lekwa Local Municipality's intentions to increase repairs and maintenance of its assets, this group of expenditure has been prioritised to ensure sustainability of the Lekwa Local Municipality's infrastructure.



**Table 10 Summary of operating expenditure by standard classification item**

MP305 Lekwa - Table A4 Budgeted Financial Performance (revenue and expenditure)								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Expenditure By Type</b>								
Employee related costs	72 600	98 055	91 311	115 262	104 141	105 957	114 275	121 493
Remuneration of councillors	5 104	6 641	8 031	7 538	7 538	8 554	9 410	10 351
Debt impairment	–	–	29 911	40 081	55 469	57 133	59 990	62 990
Depreciation & asset impairment	–	–	81 921	12 000	12 000	134 096	134 225	134 225
Finance charges	–	–	202	2 900	1 354	1 699	–	–
Bulk purchases	92 272	125 663	165 129	167 828	166 784	198 020	213 622	230 460
Other materials	2 532	3 429	4 141	2 945	3 431	2 916	3 396	3 590
Contracted services	11 080	11 217	21 846	21 818	24 761	20 322	16 790	21 341
Transfers and grants	1 535	6 798	8 466	7 558	17 863	20 290	21 305	22 370
Other expenditure	26 947	37 638	45 451	39 947	40 981	57 894	62 311	64 236
Loss on disposal of PPE								
<b>Total Expenditure</b>	<b>212 070</b>	<b>289 441</b>	<b>456 408</b>	<b>417 877</b>	<b>434 323</b>	<b>606 881</b>	<b>635 324</b>	<b>671 057</b>

The budgeted allocation for employee related costs for the 2013/14 financial year totals R114 million, which equals 18 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.85 per cent for the 2013/14 financial year. An annual increase of 6.4 per cent has been included in the two outer years of the MTREF. As part of the Municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was the inclusion of R29 million in the 2013/14 financial year relating to critical and strategically important vacancies. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 79 per cent and the Debt Write-off Policy of the Municipality. For the 2013/14 financial year this amount equates to R52 million and escalates to R63 million by 2015/16. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Budget appropriations in this regard total R134 million for the 2013/14 financial and equates to 22 per cent of the total operating expenditure. Note that the

implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

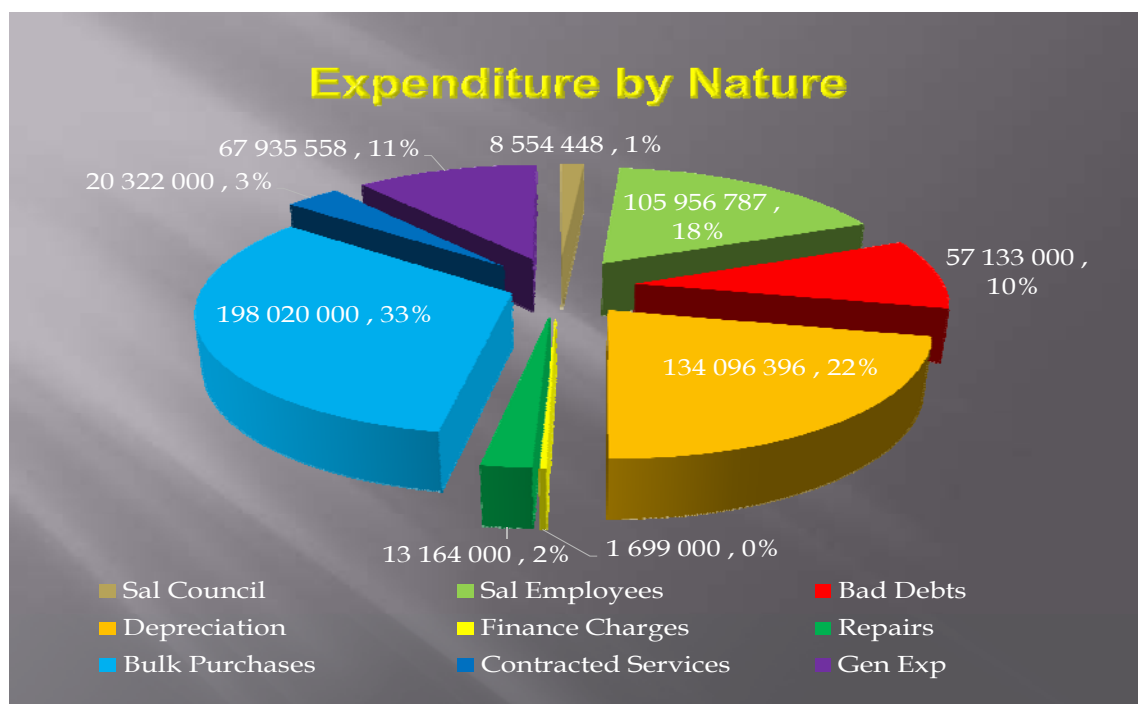
Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of materials for maintenance, cleaning materials and chemicals.

Contracted services have been identified as a cost saving area for the Municipality. As part of the compilation of the 2013/14 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2012/13 financial year, this group of expenditure totals R24 million and has decreased to R20 million, clearly demonstrating the application of cost efficiencies. The expenditure on contracted services for the two outer years decreased by 17.3 and increased by 27.10 per cent as a result of the general valuation. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2013/14 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 41 per cent for 2013/14 and curbed at 7.6 and 3 per cent for the two outer years, indicating that significant cost savings have been already realised.

The following table gives a breakdown of the main expenditure categories for the 2013/14 financial year.



**Figure 1 Main operational expenditure categories for the 2013/14 financial year**

### 1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2013/14 budget and MTREF provide for extensive growth in the area of asset maintenance. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

During the compilation of the 2013/14 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the City's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 42.9 per cent in the 2012/13 financial year, from R11 million to R13 million. The Gert Sibande District Municipality will conduct a study on behalf of the municipality which seeks to address the real cost of repairing and replacing the municipality's aging infrastructure. Furthermore the District will provide the municipality with a repairs & maintenance plans.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

**Table 11 Repairs and maintenance per asset class**

MP305 Lekwa - Supporting Table SA34c Repairs and maintenance expenditure by asset class								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>								
<b>Infrastructure</b>	5 158	8 823	8 852	8 709	7 217	8 158	9 949	9 315
Infrastructure - Road transport	108	1 882	1 448	1 334	710	1 138	2 576	1 567
Infrastructure - Electricity	3 754	4 001	4 205	4 910	3 442	4 022	4 224	4 439
Infrastructure - Water	811	2 277	2 067	1 935	2 235	2 098	2 204	2 316
Infrastructure - Sanitation	485	662	1 132	530	830	900	945	993
Infrastructure - Other	–	–	–	–	–	–	–	–
<b>Other assets</b>	4 935	7 882	6 439	5 570	4 230	4 662	4 956	5 258
General vehicles	1 908	3 349	3 585	2 395	2 357	2 376	2 558	2 728
Specialised vehicles	–	–	–	–	–	–	–	–
Plant & equipment	1 131	2 696	1 640	1 384	1 330	1 588	1 661	1 753
Computers - hardware/equipment	108	104	253	200	50	52	55	58
Furniture and other office equipment	112	135	7	14	6	14	15	16
Other Buildings	350	1 191	437	913	357	332	354	375
Other Land	1 253	299	356	526	22	129	139	145
Surplus Assets - (Investment or Inventory)								
Other	73	108	162	139	107	171	174	183
<b>Intangibles</b>	734	747	449	291	301	345	329	350
Computers - software & programme	734	747	449	291	301	345	329	350
Other (list sub-class)								
<b>Total Repairs and Maintenance Expenditure</b>	<b>10 827</b>	<b>17 452</b>	<b>15 739</b>	<b>14 570</b>	<b>11 748</b>	<b>13 164</b>	<b>15 234</b>	<b>14 923</b>

For the 2013/14 financial year, 61.97 per cent or R8 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 30.55 per cent (R4 million), followed by water infrastructure at 15.93 per cent (R2 million), roads at 8.64 per cent (R1million) and sanitation at 6.83 per cent (R900 thousand). Other assets has been allocated R4 million of total repairs and maintenance equating to 35.4 per cent.

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. The target is to register 6 000 or more indigent households during the 2013/14 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 12 2013/14 Medium-term capital budget per vote**

MP305 Lekwa - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding								
Vote Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Single-year expenditure to be appropriated</b>								
Vote 1 - Council & Executive	-	-	13	6 500	6 500	-	-	-
Vote 2 - Budget & Treasury	233	23	74	-	-	-	-	-
Vote 3 - Corporate	-	-	2 544	-	-	-	-	-
Vote 4 - Community Services	-	724	6 587	13 045	18 208	10 056	3 000	2 000
Vote 5 - Roads	13 587	14 848	29 896	8 757	13 794	2 000	2 000	5 000
Vote 6 - Planning & Development	-	-	-	-	-	-	-	-
Vote 7 - Electricity	453	1 236	2 102	3 900	2 913	2 200	2 000	2 000
Vote 8 - Water	-	2 646	832	10 000	6 500	10 052	7 000	7 083
Vote 9 - Waste Water Management	504	-	1 973	7 701	10 201	19 000	17 294	13 280
Vote 10 - Waste Management	-	245	93	6 944	10 470	-	6 000	3 000
Capital single-year expenditure sub-	14 778	19 724	44 115	56 847	68 587	43 308	37 294	32 363
<b>Total Capital Expenditure - Vote</b>	<b>14 778</b>	<b>19 724</b>	<b>44 115</b>	<b>56 847</b>	<b>68 587</b>	<b>43 308</b>	<b>37 294</b>	<b>32 363</b>
<b>Funded by:</b>								
National Government	14 545	16 829	40 950	45 347	56 843	42 508	37 294	32 363
Provincial Government								
District Municipality								
Other transfers and grants								
Transfers recognised - capital	14 545	16 829	40 950	45 347	56 843	42 508	37 294	32 363
Public contributions & donations								
Borrowing								
Internally generated funds	233	2 895	3 165	11 500	11 744	800	-	-
<b>Total Capital Funding</b>	<b>14 778</b>	<b>19 724</b>	<b>44 115</b>	<b>56 847</b>	<b>68 587</b>	<b>43 308</b>	<b>37 294</b>	<b>32 363</b>

For 2013/14 an amount of R 33 million has been appropriated for the development of infrastructure which represents 76.8 per cent of the total capital budget. In the outer years this amount totals R34 million, 91 per cent and R30 million, 93.8 per cent respectively for each of the financial years.

In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

- Standerton waste water treatment works R14.8 Million
- Graveling of roads within Lekwa Municipality R2 million
- Installation of sanitation services for 53 households in ward 11 R1,2million
- Construction of Multi- purpose community hall in ward 11 R7, Million

- Sporting Facilities in Lekwa (cricket facility) in ward 15 R2 Million
- Replacement of AC pipes with PVC pipes in Lekwa R6,2 million
- Installation of VIP in Rural areas R3 million
- Installation of boreholes with wind mills in rural areas R3, million
- Installation of high mast lights in Lekwa R2 million
- Refurbishment and upgrade Standerton landfill site phase3, R2 million
- Electrification of 92 farm dwellers houses R2,2 million
- Upgrading of Standerton water treatment works R4,2 million
- Completion Construction of 10mil reservoir R2 million

#### **1.6.1 Future operational cost of new infrastructure**

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35. This table shows that future operational costs associated with the capital programme totals R326 million in 2016/17 and decrease to R324 million by 2018/19. The current present value for capital projects amongst to R 989 million.

### **1.7 Annual Budget Tables - Parent Municipality**

The following section present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2013/14 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

**Table 13 MBRR Table A1 - Budget Summary**

MP305 Lekwa - Table A1 Budget Summary								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Financial Performance</b>								
Property rates	33 284	33 260	33 815	36 885	20 261	41 789	43 879	46 073
Service charges	147 146	165 219	191 623	267 438	259 968	280 047	294 050	308 755
Investment revenue	450	767	729	818	577	606	637	669
Transfers recognised - operational	49 641	64 309	73 178	84 124	83 559	86 670	90 043	93 106
Other own revenue	24 493	21 565	34 383	28 421	25 332	40 231	42 276	44 419
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>255 015</b>	<b>285 120</b>	<b>333 727</b>	<b>417 685</b>	<b>389 697</b>	<b>449 343</b>	<b>470 885</b>	<b>493 022</b>
Employee costs	72 600	98 055	91 311	115 262	104 141	105 957	114 275	121 493
Remuneration of councillors	5 104	6 641	8 031	7 538	7 538	8 554	9 410	10 351
Depreciation & asset impairment	-	-	81 921	12 000	12 000	134 096	134 225	134 225
Finance charges	-	-	202	2 900	1 354	1 699	-	-
Materials and bulk purchases	94 804	129 092	169 270	170 772	170 216	200 936	217 018	234 050
Transfers and grants	1 535	6 798	8 466	7 558	17 863	20 290	21 305	22 370
Other expenditure	38 027	48 855	97 208	101 847	121 211	135 349	139 091	148 567
<b>Total Expenditure</b>	<b>212 070</b>	<b>289 441</b>	<b>456 408</b>	<b>417 877</b>	<b>434 323</b>	<b>606 881</b>	<b>635 324</b>	<b>671 057</b>
<b>Surplus/(Deficit)</b>	<b>42 945</b>	<b>(4 321)</b>	<b>(122 680)</b>	<b>(192)</b>	<b>(44 626)</b>	<b>(157 538)</b>	<b>(164 439)</b>	<b>(178 035)</b>
Transfers recognised - capital	-	-	-	-	-	-	-	-
Contributions recognised - capital & contribu	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>42 945</b>	<b>(4 321)</b>	<b>(122 680)</b>	<b>(192)</b>	<b>(44 626)</b>	<b>(157 538)</b>	<b>(164 439)</b>	<b>(178 035)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>42 945</b>	<b>(4 321)</b>	<b>(122 680)</b>	<b>(192)</b>	<b>(44 626)</b>	<b>(157 538)</b>	<b>(164 439)</b>	<b>(178 035)</b>
<b>Capital expenditure &amp; funds sources</b>								
<b>Capital expenditure</b>	<b>14 778</b>	<b>19 724</b>	<b>44 115</b>	<b>56 847</b>	<b>68 587</b>	<b>43 308</b>	<b>37 294</b>	<b>32 363</b>
Transfers recognised - capital	14 545	16 829	40 950	45 347	56 843	42 508	37 294	32 363
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	233	2 895	3 165	11 500	11 744	800	-	-
<b>Total sources of capital funds</b>	<b>14 778</b>	<b>19 724</b>	<b>44 115</b>	<b>56 847</b>	<b>68 587</b>	<b>43 308</b>	<b>37 294</b>	<b>32 363</b>
<b>Financial position</b>								
Total current assets	58 093	55 660	68 357	81 592	81 592	97 193	87 563	77 652
Total non current assets	38 374	46 220	1 937 690	74 197	74 197	1 885 866	1 905 716	1 690 716
Total current liabilities	70 663	106 806	160 850	95 412	95 412	164 782	132 939	139 189
Total non current liabilities	4 037	2 276	33 346	2 595	2 595	32 309	32 309	32 309
Community wealth/Equity	21 768	(7 202)	1 811 850	57 782	57 782	1 785 968	1 828 031	1 596 870
<b>Cash flows</b>								
Net cash from (used) operating	52 656	23 668	49 460	64 268	64 268	23 135	83 316	67 352
Net cash from (used) investing	(35 185)	(25 812)	(45 193)	56 847	56 847	(43 308)	(37 294)	(32 363)
Net cash from (used) financing	(2 623)	-	(2 334)	(2 900)	(2 900)	(1 000)	-	-
<b>Cash/cash equivalents at the year end</b>	<b>3 571</b>	<b>1 427</b>	<b>3 360</b>	<b>133 820</b>	<b>133 820</b>	<b>15 535</b>	<b>61 557</b>	<b>96 546</b>
<b>Cash backing/surplus reconciliation</b>								
Cash and investments available	15 682	8 961	15 605	18 069	18 069	52 409	36 850	31 150
Application of cash and investments	13 411	45 480	58 839	14 093	10 009	75 292	46 140	44 774
<b>Balance - surplus (shortfall)</b>	<b>2 270</b>	<b>(36 518)</b>	<b>(43 233)</b>	<b>3 976</b>	<b>8 060</b>	<b>(22 882)</b>	<b>(9 290)</b>	<b>(13 624)</b>
<b>Asset management</b>								





**Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. This cannot be achieved in one financial year.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 14 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

MP305 Lekwa - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)								
Standard Classification Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue - Standard</b>								
<i>Governance and administration</i>	101 585	115 385	127 535	141 261	116 934	143 421	150 108	156 524
Executive and council	49 437	62 888	69 971	79 087	79 091	81 454	85 064	88 267
Budget and treasury office	17 752	18 556	22 999	23 406	16 375	18 908	19 829	20 779
Corporate services	34 396	33 942	34 565	38 768	21 469	43 059	45 215	47 478
<i>Community and public safety</i>	979	714	1 590	1 962	1 893	2 998	3 159	3 327
Community and social services	303	371	(783)	378	338	361	387	413
Sport and recreation	16	26	54	75	50	53	56	59
Public safety	660	318	2 320	1 510	1 506	2 584	2 716	2 855
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	4 669	3 394	12 444	6 309	10 450	22 399	23 059	23 876
Planning and development	7	12	10	1 758	1 785	2 115	1 755	1 501
Road transport	4 661	3 382	12 434	4 552	8 665	20 284	21 304	22 375
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	147 782	165 627	192 158	268 152	260 419	280 525	294 559	309 295
Electricity	99 974	121 647	134 881	205 771	195 412	209 154	219 615	230 599
Water	21 117	16 848	26 231	28 340	31 109	35 403	37 174	39 034
Waste water management	16 971	18 042	21 248	22 473	21 695	22 924	24 072	25 277
Waste management	9 720	9 089	9 798	11 568	12 203	13 044	13 698	14 385
<i>Other</i>	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	<b>255 015</b>	<b>285 120</b>	<b>333 727</b>	<b>417 685</b>	<b>389 697</b>	<b>449 343</b>	<b>470 885</b>	<b>493 022</b>
<b>Expenditure - Standard</b>								
<i>Governance and administration</i>	39 070	58 649	178 593	139 878	155 134	294 063	296 229	308 388
Executive and council	14 721	27 502	111 242	50 393	54 253	192 000	195 434	198 916
Budget and treasury office	13 960	16 875	56 439	73 475	85 812	86 700	84 518	92 229
Corporate services	10 388	14 272	10 911	16 010	15 069	15 362	16 277	17 243
<i>Community and public safety</i>	24 341	31 419	38 005	36 249	37 433	30 991	33 127	35 477
Community and social services	2 823	3 838	3 668	4 619	3 490	2 621	2 802	2 992
Sport and recreation	4 960	6 641	6 982	5 765	7 304	5 580	5 949	6 348
Public safety	16 435	20 750	26 556	23 537	26 098	20 020	21 427	22 994
Housing	2	10	6	2 327	9	2 769	2 949	3 143
Health	121	179	792	-	532	-	-	-
<i>Economic and environmental services</i>	17 660	22 623	21 316	25 743	21 318	35 271	38 817	39 732
Planning and development	260	342	615	5 451	235	2 401	2 524	2 693
Road transport	17 400	22 281	20 701	20 293	21 083	32 870	36 293	37 039
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	131 000	176 753	218 493	216 032	220 447	246 551	267 199	287 509
Electricity	105 572	140 953	178 675	180 259	180 584	204 587	220 648	237 983
Water	9 353	14 895	17 116	17 118	17 227	21 815	22 995	24 240
Waste water management	6 575	8 879	9 651	5 502	9 237	7 481	7 950	8 450
Waste management	9 500	12 025	13 051	13 153	13 400	12 668	15 606	16 836
<i>Other</i>	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>212 070</b>	<b>289 444</b>	<b>456 408</b>	<b>417 902</b>	<b>434 332</b>	<b>606 876</b>	<b>635 371</b>	<b>671 106</b>
<b>Surplus/(Deficit) for the year</b>	<b>42 945</b>	<b>(4 324)</b>	<b>(122 680)</b>	<b>(217)</b>	<b>(44 635)</b>	<b>(157 533)</b>	<b>(164 486)</b>	<b>(178 084)</b>

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
3. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

**Table 15 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

MP305 Lekwa - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)								
Vote Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue by Vote</b>								
Vote 1 - Council & Executive	49 437	62 888	69 971	79 087	79 091	81 454	85 064	88 267
Vote 2 - Budget & Treasury	17 752	18 556	22 999	23 406	16 375	18 908	19 829	20 779
Vote 3 - Corporate	34 396	33 942	34 565	38 768	21 469	43 059	45 215	47 478
Vote 4 - Community Services	979	714	1 590	1 962	1 893	2 998	3 159	3 327
Vote 5 - Roads	4 661	3 382	12 434	4 552	8 665	20 284	21 304	22 375
Vote 6 - Planning & Development	7	12	10	1 758	1 785	2 115	1 755	1 501
Vote 7 - Electricity	99 974	121 647	134 881	205 771	195 412	209 154	219 615	230 599
Vote 8 - Water	21 117	16 848	26 231	28 340	31 109	35 403	37 174	39 034
Vote 9 - Waste Water Management	16 971	18 042	21 248	22 473	21 695	22 924	24 072	25 277
Vote 10 - Waste Management	9 720	9 089	9 798	11 568	12 203	13 044	13 698	14 385
<b>Total Revenue by Vote</b>	<b>255 015</b>	<b>285 120</b>	<b>333 727</b>	<b>417 685</b>	<b>389 697</b>	<b>449 343</b>	<b>470 885</b>	<b>493 022</b>
<b>Expenditure by Vote to be appropriated</b>								
Vote 1 - Council & Executive	14 721	27 502	111 242	50 393	54 253	192 000	195 434	198 916
Vote 2 - Budget & Treasury	13 960	16 875	56 439	73 475	85 812	86 700	84 518	92 229
Vote 3 - Corporate	10 388	14 272	10 911	16 010	15 069	15 362	16 277	17 243
Vote 4 - Community Services	24 341	31 419	38 005	36 249	37 433	30 991	33 127	35 477
Vote 5 - Roads	17 400	22 281	20 701	20 293	21 083	32 870	36 293	37 039
Vote 6 - Planning & Development	260	342	615	5 451	235	2 401	2 524	2 693
Vote 7 - Electricity	105 572	140 953	178 675	180 259	180 584	204 587	220 648	237 983
Vote 8 - Water	9 353	14 895	17 116	17 118	17 227	21 815	22 995	24 240
Vote 9 - Waste Water Management	6 575	8 879	9 651	5 502	9 237	7 481	7 950	8 450
Vote 10 - Waste Management	9 500	12 025	13 051	13 153	13 400	12 668	15 606	16 836
<b>Total Expenditure by Vote</b>	<b>212 070</b>	<b>289 444</b>	<b>456 408</b>	<b>417 902</b>	<b>434 332</b>	<b>606 876</b>	<b>635 371</b>	<b>671 106</b>
<b>Surplus/(Deficit) for the year</b>	<b>42 945</b>	<b>(4 324)</b>	<b>(122 680)</b>	<b>(217)</b>	<b>(44 635)</b>	<b>(157 533)</b>	<b>(164 486)</b>	<b>(178 084)</b>

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.

**Table 16 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

MP305 Lekwa - Table A4 Budgeted Financial Performance (revenue and expenditure)								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Revenue By Source</b>								
Property rates	33 284	33 260	33 815	36 885	20 261	41 789	43 879	46 073
Property rates - penalties & collection								
Service charges - electricity revenue	99 573	121 250	134 367	205 070	194 982	208 700	219 135	230 093
Service charges - water revenue	21 101	16 845	26 218	28 335	31 103	35 396	37 165	39 023
Service charges - sanitation revenue	16 756	18 041	21 248	22 473	21 692	22 920	24 067	25 271
Service charges - refuse revenue	9 716	9 083	9 790	11 561	12 192	13 031	13 683	14 368
Service charges - other								
Rental of facilities and equipment	1 216	791	(345)	862	749	792	838	885
Interest earned - external investments	450	767	729	818	577	606	637	669
Interest earned - outstanding debtors	16 897	16 048	18 450	20 269	13 487	15 585	16 365	17 184
Dividends received								
Fines	646	361	2 352	1 567	1 622	2 705	2 842	2 986
Licences and permits	4 597	3 288	12 396	4 494	8 649	20 263	21 278	22 344
Agency services								
Transfers recognised - operational	49 641	64 309	73 178	84 124	83 559	86 670	90 043	93 106
Other revenue	1 137	1 077	1 530	1 229	826	886	953	1 020
Gains on disposal of PPE								
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>255 015</b>	<b>285 120</b>	<b>333 727</b>	<b>417 685</b>	<b>389 697</b>	<b>449 343</b>	<b>470 885</b>	<b>493 022</b>
<b>Expenditure By Type</b>								
Employee related costs	72 600	98 055	91 311	115 262	104 141	105 957	114 275	121 493
Remuneration of councillors	5 104	6 641	8 031	7 538	7 538	8 554	9 410	10 351
Debt impairment	-	-	29 911	40 081	55 469	57 133	59 990	62 990
Depreciation & asset impairment	-	-	81 921	12 000	12 000	134 096	134 225	134 225
Finance charges	-	-	202	2 900	1 354	1 699	-	-
Bulk purchases	92 272	125 663	165 129	167 828	166 784	198 020	213 622	230 460
Other materials	2 532	3 429	4 141	2 945	3 431	2 916	3 396	3 590
Contracted services	11 080	11 217	21 846	21 818	24 761	20 322	16 790	21 341
Transfers and grants	1 535	6 798	8 466	7 558	17 863	20 290	21 305	22 370
Other expenditure	26 947	37 638	45 451	39 947	40 981	57 894	62 311	64 236
Loss on disposal of PPE								
<b>Total Expenditure</b>	<b>212 070</b>	<b>289 441</b>	<b>456 408</b>	<b>417 877</b>	<b>434 323</b>	<b>606 881</b>	<b>635 324</b>	<b>671 057</b>
<b>Surplus/(Deficit)</b>	<b>42 945</b>	<b>(4 321)</b>	<b>(122 680)</b>	<b>(192)</b>	<b>(44 626)</b>	<b>(157 538)</b>	<b>(164 439)</b>	<b>(178 035)</b>

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R449 million in 2013/14 and escalates to R493 million by 2015/16. This represents a year-on-year increase of 15 per cent for the 2013/14 financial year and 10 per cent for the 2015/16 financial year.
2. Revenue to be generated from property rates is R41 million in the 2013/14 financial year and increases to R46 million by 2015/16 which represents 9 per cent of the operating revenue base.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R 280 million for the 2013/14 financial year and increasing to R 309 million by 2015/16. For the 2013/14 financial year services charges amount to 62 per cent of the total revenue base.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government growth have been restricted over the MTREF by 3 per cent and 3 per cent for the two outer years when compared to previous financials.
5. Bulk purchases have significantly increased over the 2007/08 to 2012/14 period escalating from R1.8 billion to R6.5 billion. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Rand Water.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Table 17 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

MP305 Lekwa - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding								
Vote Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Single-year expenditure to be appropriated</b>								
Vote 1 - Council & Executive	-	-	13	6 500	6 500	-	-	-
Vote 2 - Budget & Treasury	233	23	74	-	-	-	-	-
Vote 3 - Corporate	-	-	2 544	-	-	-	-	-
Vote 4 - Community Services	-	724	6 587	13 045	18 208	10 056	3 000	2 000
Vote 5 - Roads	13 587	14 848	29 896	8 757	13 794	2 000	2 000	5 000
Vote 6 - Planning & Development	-	-	-	-	-	-	-	-
Vote 7 - Electricity	453	1 236	2 102	3 900	2 913	2 200	2 000	2 000
Vote 8 - Water	-	2 646	832	10 000	6 500	10 052	7 000	7 083
Vote 9 - Waste Water Management	504	-	1 973	7 701	10 201	19 000	17 294	13 280
Vote 10 - Waste Management	-	245	93	6 944	10 470	-	6 000	3 000
<b>Total Capital Expenditure - Vote</b>	<b>14 778</b>	<b>19 724</b>	<b>44 115</b>	<b>56 847</b>	<b>68 587</b>	<b>43 308</b>	<b>37 294</b>	<b>32 363</b>
<b>Capital Expenditure - Standard</b>								
<i>Governance and administration</i>	233	23	2 632	6 500	6 500	-	-	-
Executive and council			13	6 500	6 500			
Budget and treasury office	233	23	74					
Corporate services			2 544					
<i>Community and public safety</i>	-	724	6 587	13 045	18 208	10 056	3 000	2 000
Community and social services			6 565	5 000	8 796	7 000	-	-
Sport and recreation		364		8 045	9 412	3 056	3 000	2 000
Public safety		360	22	-	-	-	-	-
Housing								
Health								
<i>Economic and environmental services</i>	13 587	14 848	29 896	8 757	13 794	2 000	2 000	5 000
Planning and development								
Road transport	13 587	14 848	29 896	8 757	13 794	2 000	2 000	5 000
Environmental protection								
<i>Trading services</i>	957	4 128	5 000	28 545	30 084	31 252	32 294	25 363
Electricity	453	1 236	2 102	3 900	2 913	2 200	2 000	2 000
Water		2 646	832	10 000	6 500	10 052	7 000	7 083
Waste water management	504		1 973	7 701	10 201	19 000	17 294	13 280
Waste management		245	93	6 944	10 470	-	6 000	3 000
<i>Other</i>								
<b>Total Capital Expenditure - Standard</b>	<b>14 778</b>	<b>19 724</b>	<b>44 115</b>	<b>56 847</b>	<b>68 587</b>	<b>43 308</b>	<b>37 294</b>	<b>32 363</b>
<b>Funded by:</b>								
National Government	14 545	16 829	40 950	45 347	56 843	42 508	37 294	32 363
Provincial Government								
District Municipality								
Other transfers and grants								
<b>Transfers recognised - capital</b>	<b>14 545</b>	<b>16 829</b>	<b>40 950</b>	<b>45 347</b>	<b>56 843</b>	<b>42 508</b>	<b>37 294</b>	<b>32 363</b>
<b>Public contributions &amp; donations</b>								
<b>Borrowing</b>								
Internally generated funds	233	2 895	3 165	11 500	11 744	800	-	-
<b>Total Capital Funding</b>	<b>14 778</b>	<b>19 724</b>	<b>44 115</b>	<b>56 847</b>	<b>68 587</b>	<b>43 308</b>	<b>37 294</b>	<b>32 363</b>

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R43 million for the 2013/14 financial year and decreases over the MTREF at levels of R37 million and R32 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the City. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded mainly from national government transfers.



**Table 18 MBRR Table A6 - Budgeted Financial Position**

MP305 Lekwa - Table A6 Budgeted Financial Position								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>ASSETS</b>								
<b>Current assets</b>								
Cash	3 571	1 427	4 289	2 569	2 569	18 409	4 850	3 150
Call investment deposits	12 111	7 534	11 316	15 500	15 500	34 000	32 000	28 000
Consumer debtors	32 907	44 760	39 449	53 941	53 941	31 563	38 413	34 022
Other debtors	7 480	399	10 980	500	500	10 378	10 000	10 000
Current portion of long-term receivables				6 107	6 107			
Inventory	2 025	1 540	2 322	2 975	2 975	2 843	2 300	2 480
<b>Total current assets</b>	<b>58 093</b>	<b>55 660</b>	<b>68 357</b>	<b>81 592</b>	<b>81 592</b>	<b>97 193</b>	<b>87 563</b>	<b>77 652</b>
<b>Non current assets</b>								
Long-term receivables								
Investments								
Investment property								
Investment in Associate								
Property, plant and equipment	38 374	46 220	1 937 690	73 836	73 836	1 885 866	1 905 716	1 690 716
Agricultural								
Biological								
Intangible				361	361			
Other non-current assets								
<b>Total non current assets</b>	<b>38 374</b>	<b>46 220</b>	<b>1 937 690</b>	<b>74 197</b>	<b>74 197</b>	<b>1 885 866</b>	<b>1 905 716</b>	<b>1 690 716</b>
<b>TOTAL ASSETS</b>	<b>96 468</b>	<b>101 880</b>	<b>2 006 047</b>	<b>155 789</b>	<b>155 789</b>	<b>1 983 059</b>	<b>1 993 280</b>	<b>1 768 368</b>
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Bank overdraft	–							
Borrowing	421	1 716	36 641	655	655	1 699	–	–
Consumer deposits	3 272	2 542	2 592	2 500	2 500	2 609	2 700	3 000
Trade and other payables	58 934	90 997	121 269	78 007	78 007	160 126	129 891	135 841
Provisions	8 036	11 551	348	14 250	14 250	348	348	348
<b>Total current liabilities</b>	<b>70 663</b>	<b>106 806</b>	<b>160 850</b>	<b>95 412</b>	<b>95 412</b>	<b>164 782</b>	<b>132 939</b>	<b>139 189</b>
<b>Non current liabilities</b>								
Borrowing	4 037	2 276	33 346	2 595	2 595	–	–	–
Provisions	–	–	–	–	–	32 309	32 309	32 309
<b>Total non current liabilities</b>	<b>4 037</b>	<b>2 276</b>	<b>33 346</b>	<b>2 595</b>	<b>2 595</b>	<b>32 309</b>	<b>32 309</b>	<b>32 309</b>
<b>TOTAL LIABILITIES</b>	<b>74 700</b>	<b>109 082</b>	<b>194 197</b>	<b>98 007</b>	<b>98 007</b>	<b>197 091</b>	<b>165 248</b>	<b>171 498</b>
<b>NET ASSETS</b>	<b>21 768</b>	<b>(7 202)</b>	<b>1 811 850</b>	<b>57 782</b>	<b>57 782</b>	<b>1 785 968</b>	<b>1 828 031</b>	<b>1 596 870</b>
<b>COMMUNITY WEALTH/EQUITY</b>								
Accumulated Surplus/(Deficit)	21 768	(7 202)	1 811 850	57 782	57 782	1 785 968	1 828 031	1 596 870
Reserves	–	–	–	–	–	–	–	–
Minorities' interests								
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>21 768</b>	<b>(7 202)</b>	<b>1 811 850</b>	<b>57 782</b>	<b>57 782</b>	<b>1 785 968</b>	<b>1 828 031</b>	<b>1 596 870</b>

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

**Table 19 MBRR Table A7 - Budgeted Cash Flow Statement**

MP305 Lekwa - Table A7 Budgeted Cash Flows								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Ratepayers and other	230 986	221 789	321 649	280 586	280 586	284 207	367 580	384 741
Government - operating	100 718	64 760	68 402	84 124	84 124	86 670	90 043	93 106
Government - capital		28 508	35 877	45 347	45 347	42 508	37 294	32 363
Interest	466	14 410		11 966	11 966	11 983	17 002	17 853
Dividends								
<b>Payments</b>								
Suppliers and employees	(278 577)	(305 566)	(376 468)	(354 850)	(354 850)	(398 232)	(423 618)	(455 476)
Finance charges	(937)	(233)		(400)	(400)	(1 711)		
Transfers and Grants				(2 504)	(2 504)	(2 290)	(4 986)	(5 235)
<b>NET CASH FROM/(USED) OP</b>	<b>52 656</b>	<b>23 668</b>	<b>49 460</b>	<b>64 268</b>	<b>64 268</b>	<b>23 135</b>	<b>83 316</b>	<b>67 352</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Decrease (increase) other non-current receivables								
Decrease (increase) in non-current investments								
<b>Payments</b>								
Capital assets	(35 185)	(25 812)	(45 193)	56 847	56 847	(43 308)	(37 294)	(32 363)
<b>NET CASH FROM/(USED) INV</b>	<b>(35 185)</b>	<b>(25 812)</b>	<b>(45 193)</b>	<b>56 847</b>	<b>56 847</b>	<b>(43 308)</b>	<b>(37 294)</b>	<b>(32 363)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans								
Borrowing long term/refinancing								
Increase (decrease) in consumer deposits								
<b>Payments</b>								
Repayment of borrowing	(2 623)		(2 334)	(2 900)	(2 900)	(1 000)		
<b>NET CASH FROM/(USED) FIN</b>	<b>(2 623)</b>	<b>-</b>	<b>(2 334)</b>	<b>(2 900)</b>	<b>(2 900)</b>	<b>(1 000)</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE)</b>	<b>14 848</b>	<b>(2 144)</b>	<b>1 933</b>	<b>118 215</b>	<b>118 215</b>	<b>(21 173)</b>	<b>46 022</b>	<b>34 989</b>
Cash/cash equivalents at the	(11 277)	3 571	1 427	15 605	15 605	36 708	15 535	61 557
Cash/cash equivalents at the	3 571	1 427	3 360	133 820	133 820	15 535	61 557	96 546

**Table 20 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

MP305 Lekwa - Table A8 Cash backed reserves/accumulated surplus reconciliation								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Cash and investments available</b>								
Cash/cash equivalents at the year end	3 571	1 427	3 360	133 820	133 820	15 535	61 557	96 546
Other current investments > 90 days	12 111	7 534	12 245	(115 751)	(115 751)	36 874	(24 707)	(65 396)
Non current assets - Investments	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>	<b>15 682</b>	<b>8 961</b>	<b>15 605</b>	<b>18 069</b>	<b>18 069</b>	<b>52 409</b>	<b>36 850</b>	<b>31 150</b>
<b>Application of cash and investments</b>								
Unspent conditional transfers	17 082	18 347	14 161	-	-	15 000	-	-
Unspent borrowing	-	-	-	-	-	-	-	-
Statutory requirements								
Other working capital requirements	(3 671)	27 133	44 678	14 093	10 009	60 292	46 140	44 774
Other provisions								
Long term investments committed	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments								
<b>Total Application of cash and investments</b>	<b>13 411</b>	<b>45 480</b>	<b>58 839</b>	<b>14 093</b>	<b>10 009</b>	<b>75 292</b>	<b>46 140</b>	<b>44 774</b>
<b>Surplus(shortfall)</b>	<b>2 270</b>	<b>(36 518)</b>	<b>(43 233)</b>	<b>3 976</b>	<b>8 060</b>	<b>(22 882)</b>	<b>(9 290)</b>	<b>(13 624)</b>

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2012) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 31 August 2012. Key dates applicable to the process were:

- **August 2012** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2013/14 MTREF;
- **November 2012** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2013** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2013** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;

- **25 January 2013** - Council considers the 2012/13 Mid-year Review and Adjustments Budget;
- **28 February 2013** - Council considers the 2012/13 Adjustments Budget;
- **February 2013** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2013/14 MTREF is revised accordingly;
- **25 March 2013** - Tabling in Council of the draft 2013/14 IDP and 2013/14 MTREF for public consultation;
- **April 2013** – Public consultation;
- **May 2013** – finalisation of the 2013/14 IDP and 2013/14 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **28 May 2011** - Tabling of the 2013/14 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

### 2.1.2 IDP and Service Delivery and Budget Implementation Plan

The preparation of a FIVE-YEAR INTEGRATED DEVELOPMENT PLAN (IDP) by municipalities is a legislative requirement according to the Municipal Systems Act (MSA) Act No. 32 of 2000. Lekwa Local Municipality has embarked completed on this process in line with Chapter 5, Section 25, of the MSA.

It will be noted that, in terms of section 34 of the Local Government: Municipal Systems Act, No. 32 of 2000, all municipalities are required to review their Integrated Development Plans (IDP's) on an five year basis (and to the extent that changing circumstances, needs and demands) - in accordance with a prescribed process.

The annual review process thus relates to the assessment of the Municipality's performance against organizational objectives as well as implementation delivery, and also takes into cognizance any new information or change in circumstances that might have arisen subsequent to the adoption of the previous IDP. The review and amendment process must also adhere to the requirements for public participation as articulated to Chapter 4 of the MSA (2000). In terms of the IDP Review Guidelines, IDPs are reviewed based on 4 primary areas of intervention, i.e. Annual IDP Review, the IDP Process, Amendments in Response to Changing Municipal Circumstances, and Comment from the MEC. The process described and outlined in the flow chart below represents a continuous cycle of planning, implementation and review. Implementation commences after the Municipal Council adopts the initial IDP whilst Public Participation remains pivotal throughout the process of the IDP.

In terms of section 28 of the Local Government: Municipal Systems Act, No. 32 of 2000, all municipalities are required to adopt an IDP Review Plan. The municipality has complied with this requirement, with Council having to adopt a Process Plan (entitled Integrated Development Plan [IDP]: Process Plan for the IDP Review 2013/2014).

Once again the focus of the review has been on fine-tuning programmes and projects to align with:

- New demands, most significantly the infrastructure maintenance expenditure demands;
- Updating of statistical information;
- Adjustment in targets as backlog figures are refined against the access modelling exercise;
- The revised needs of communities and be categorized per ward with clearly defined problem statement reflecting key service delivery challenges
- Clearly manifest as to how the community is consulted during the IDP process and measures taken by the Municipality in informing them to partake in the IDP process.
- Refining of the Local Economic Development strategy
- Reflect the availability of the SDF as the critical planning tool
- Reflect the alignment of the Provincial Growth Development Strategy
- National Spatial Development Perspective and Neighbourhood Development Partnership Grant (Urban Design Framework),

### **2.1.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2013/14 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTREF:

- Municipal growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2012/13 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54, 58, 59, 66 & 67 has been taken into consideration in the planning and prioritisation process.

### **2.1.4 Community Consultation**

The draft 2013/14 MTREF as tabled before Council on 25 March 2013 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. The electronic feedback was also communicated on the municipality's website as well as on Facebook "Budget Tips for Matshidiso".

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process from April 2013 to May 2012, and included 15 public briefing sessions. The applicable dates and venues were published in the local newspapers and on average attendance of 80 were recorded per meeting. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations & organised business.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2013/14 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- Other issues raised by Mpumalanga provincial treasury included:
  - High revenue anticipated by the municipality
  - Inadequate provision for bad debts
  - Inadequate provision for replacement assets

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.



Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the City, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the City strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the City's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

### **IDP Strategic Objectives**

Emanating from the situational analysis and the ANC manifesto of 2013-2016 undertaken towards the development of the IDP, the municipality identified a number of challenges and constraints which impact on the way the municipality functions and fulfils its mandate as per section 152 of the South African constitution. Challenges confronting the municipality include a

declining revenue base and poor management of resources, inefficiencies that limit the manner in which the municipality interface with the communities, aging infrastructure due to truck haulage and deferred maintenance, structural inefficiencies that result in poor service delivery standards, low economic growth and high unemployment rate, vulnerable environmental assets and natural resources.

To address the identified challenges and work towards realization of the vision, the municipality has identified the following long- term strategic objective which will be known as **5 LLM's**;

- 1.1.1. LLM: 1 Build local economies to create more employment, decent work & sustainable livelihoods
- 1.1.2. LLM: 2 Improve service and broaden access to them
- 1.1.3. LLM: 3 Promote more active community participation in local government
- 1.1.4. LLM: 4 Ensure more effective, accountable and clean local government that works with
- 1.1.5. LLM: 5 Build more united, non-racial, integrated and safer communities

The municipality has aligned the key strategic objectives and will strive to attain them within the context of the five key local government performance areas:

The Key Development Objectives approach to Performance Management, However, the Municipal Systems Act no:32 of 2000 require that the Performance Management System represent the Municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement. In adopting this strategy, and in keeping with the Key Performance Areas indicated by the Department of Provincial and Local Government, the Key Development Objectives will be now be customized using the following five perspectives or Key Performance Areas:

- 1.1.6. Municipal Transformation and Organizational Development
- 1.1.7. Infrastructure Development and Service Delivery
- 1.1.8. Local Economic Development (LED)
- 1.1.9. Municipal Financial Viability and Management
- 1.1.10. Good Governance and Public Participation

The following table sets out the municipalities main performance objectives and benchmarks for the 2013/14 MTREF.

**Table 21 MBRR Table SA8 - Performance indicators and benchmarks**

M P305 Lekwa - Supporting Table SA8 Performance indicators and benchmarks										
Description of financial indicator	Basis of calculation	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	
<b><u>Borrowing Management</u></b>										
Credit Rating										
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.2%	0.0%	0.6%	1.4%	1.0%	0.4%	0.0%	0.0%	
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	1.3%	0.0%	1.0%	1.7%	1.4%	0.7%	0.0%	0.0%	
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<b><u>Safety of Capital</u></b>										
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<b><u>Liquidity</u></b>										
Current Ratio	Current assets/current liabilities	0.8	0.5	0.4	0.9	0.9	0.6	0.7	0.6	
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.8	0.5	(1.0)	(1.7)	(1.7)	(0.9)	(1.3)	(1.3)	
Liquidity Ratio	Monetary Assets/Current Liabilities	0.2	0.1	0.1	0.2	0.2	0.3	0.3	0.2	
<b><u>Revenue Management</u></b>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		112.7%	100.8%	123.8%	84.3%	0.0%	78.5%	96.7%	
Current Debtors Collection Rate (Cash receipts %of Ratepayer & Other revenue)			112.7%	100.8%	123.8%	84.3%	0.0%	78.5%	96.7%	
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	15.8%	15.8%	15.1%	14.5%	15.5%	9.3%	10.3%	8.9%	
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old									
<b><u>Creditors Management</u></b>										
Creditors System Efficiency	%of Creditors Paid Within Terms (within MFMA's 65(e))	50.0%	60.0%	70.0%	80.0%	80.0%	95.0%	100.0%	100.0%	
Creditors to Cash and Investments		1172.0%	5090.3%	3187.4%	44.8%	44.8%	600.0%	1510%	90.3%	
<b><u>Other Indicators</u></b>										
Electricity Distribution Losses (2)	Total Volume Losses (kW)									
	Total Cost of Losses (Rand '000)	29 872	36 375	15 055	20 507	19 498	20 870	2194	23 009	
Water Distribution Losses (2)	Total Volume Losses (kl)									
	Total Cost of Losses (Rand '000)	6 330	5 053	307	2 833	3 110	3 540	3 717	3 902	
Employee costs	Employee costs/(Total Revenue - capital revenue)	28.5%	34.4%	27.4%	27.6%	26.7%	23.6%	24.3%	24.6%	
Remuneration	Total remuneration/(Total Revenue - capital revenue)	30.5%	36.7%	29.8%	29.1%	28.7%	25.5%	26.3%	26.7%	
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	4.2%	6.1%	4.7%	3.5%	3.0%	2.9%	3.2%	3.0%	
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.0%	0.0%	24.6%	3.6%	3.4%	30.2%	28.5%	27.2%	
<b><u>IDP regulation financial viability indicators</u></b>										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	14.3	94.6	17.5	22.4	22.4	21.3	21.3	22.4	
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	22.2%	22.7%	22.4%	19.8%	21.5%	13.0%	14.3%	12.4%	
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.2	0.1	0.1	4.3	4.3	0.4	1.7	2.4	

### **2.2.1 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality.

For the 2012/13 financial year 6 000 registered indigents have been provided for in the budget with this figured increasing to 10 000 by 2014/15. In terms of the Municipality's indigent policy registered households are entitled to 6kl fee water, 50 kwh of electricity, free sanitation and free waste removal once a week, as well as a discount on their property rates.

### **2.2.2 Providing clean water and managing waste water**

Lekwa Local Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as a water services provider. Lekwa Local Municipality is providing clean water from its own water sources, such as boreholes and dams.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Lekwa Local Municipality has not yet been awarded the Blue Drop status and the Green Drop status because of the following challenges:

- The infrastructure at the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Licensing of water plants
- Shortage of skilled personnel makes proper operations and maintenance difficult;

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget;
- The filling of vacancies has commenced and Lekwa Local Municipality and SETA will embark on an in-house training programme, especially for operational personnel;

## **2.3 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The Following Policies were reviewed.

- Property Rates Policy
- Credit control and Debt collection policies
- Asset Management Policy
- Supply Chain Management Policy
- Budget Policy
- Indigent Policy
- Cash Management and Investment Policy
- Tariff Policies

The following policies must still be reviewed and implemented:

- Funding and Reserves Policy;
- Borrowing Policy;
- Infrastructure Investment and Funding Policy
- Financial Modelling and Scenario Planning Policy
- Cash Management and Investment Policy
- Accounting Policy

## **2.4 Overview of budget assumptions**

This section of the budget report provides a summary of all principle and assumptions underlying the preparation of the budget and its proposals. Budgets are prepared in an environment of uncertainty and certain principles and assumptions need to be made about both internal and external factors that could impact on the budget during the course of the financial year.

### **2.4.1 External factors**

- I. Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Lekwa Municipality's finances.
- II. South Africa's economy has continued to grow, but at a slower rate than projected at the time of the 2012 Budget. GDP growth reached 2.5 per cent in 2012 and is expected to grow at 2.7 per cent in 2013, rising to 3.8 per cent in 2015. Inflation has remained moderate, with consumer prices rising by 5.7 per cent in 2012 and projected to increase by an average of 5.5 per cent a year over the period ahead.
- III. The Council is committed to stringent budgeting policies and parameter through a budget that seeks to strike a balance between the development challenges of the poor areas and the need to maintain their infrastructure in established areas. The Council is also committed to ensuring that consultation on the budget take place as widely as possible and to achieve balanced budgets on an affordable basis now and in the future.
- IV. The Council is further committed to levying affordable tariff increases and in this regard we have once again managed to achieve single digit increases in Rates, Sewerage and Refuse Tariffs. The base assumption is that tariff increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term. Cash flow is assumed to be 80 percent of billings, excluding an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored. A collection rate for rates and basic services over the past 8 months is averaged at 70%. Based on the collection as indicated. The additional interventions planned, like replacement of old meters disconnection of illegally connected electricity meter as well as disconnection of non-paying residents and improved credit control, will enhance the payment levels.

- V. Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the Lekwa Local Municipality, household formation growth rate and the poor household change rate.
- VI. The Executive Mayor will keep record of all comments and submissions received and the steps taken to address most of the requests. Any adjustments resulting there from are done in preparation of the budget submission for approval by Council a month before the start of the new financial year.
- VII. National Treasury advises that the medium term outlook for the South African economy remains positive with the inflation rate expected to stay within the target range of 3 to 6 percent. The inflation forecast (CPIX) announced for 2013/14, 2014/15 and 2015/16 is 5.6%, 5.4% and 5.4% respectively. National Treasury set as guidelines parameters for the budget growth and these have been set at between 3% and 6% for the 2013/2014. The growth parameters apply to tariff increases for property rates, user and other charges raised by the municipalities, to ensure that all spheres of government support the nation macro-economic policies, unless it can be shown that external factors particular to the municipality concerned impact otherwise.
- VIII. Critical to the Council's ability to ensure full collection of assessment rates is the process of speeding up the transfer of deeds into individuals' names. The most recent years' 5%-7% growth factor was met as a whole with the provision of the main services, but assessment rates billed income lagged behind, due partly to the difficulties in completing transfer of ownership and as well as incorrect valuation roll.
- IX. Another key focus of the 2013/14 financial year is to ensure that, all Indigents are registered and approved. Currently the number of registered indigents is in the region of 5000 (households).
- X. The basic social package confirms the Municipality commitments to push back the frontiers of poverty by providing free basic services and also assists the municipality in meeting its constitutional obligations regarding the progressive realization of the social and economic rights of its residents.
- The first 6 KL of water is free to all residents
  - The first 50 kWh of electricity is free to residents who are registered as indigents.
  - The municipality also allows different rebates to different areas and categories of rate payers.
  - The municipality also subsidizes residents who are registered as indigents with regard to payment of other basic services and rates with the amount limited to R250 monthly.
- XI. The Eskom's price for bulk electricity purchases approved by NERSA will increase by 8 % for 2013/2014 financial year. As no approval was granted by NERSA by the time this budget was prepared the 7.03% was allocated for electricity sales for 2013/14.
- XII. Provision of 6.85 % increase or salaries increase is made, based on SALGA's multi-year collective agreement and about 8.5% increase has been provided for in the 2013/14 budget for Councillors remuneration. However it must be noted that the national increases to Public Office Bearers have not been gazetted.

## **2.4.2 General inflation outlook and its impact on the municipal activities**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

## **2.4.3 Salary increases**

The salary increases have been factored into this budget at a percentage increase of 6.5 per cent for the 2013/14 financial year. A provision has been made for an 8.5% estimated increase in salaries of councillors which still have to be announced in terms of the Public Office Bearers Act;

## **2.4.4 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

## **2.4.5 Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of at least 95 percent is achieved on operating expenditure and 100 percent on the capital programme for the 2013/14 MTREF of which performance has been factored into the cash flow budget.



## 2.4.6 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 22 MBRR Table A7 - Budget cash flow statement**

MP305 Lekwa - Table A7 Budgeted Cash Flows								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Ratepayers and other	230 986	221 789	321 649	280 586	280 586	284 207	367 580	384 741
Government - operating	100 718	64 760	68 402	84 124	84 124	86 670	90 043	93 106
Government - capital		28 508	35 877	45 347	45 347	42 508	37 294	32 363
Interest	466	14 410		11 966	11 966	11 983	17 002	17 853
Dividends								
<b>Payments</b>								
Suppliers and employees	(278 577)	(305 566)	(376 468)	(354 850)	(354 850)	(398 232)	(423 618)	(455 476)
Finance charges	(937)	(233)		(400)	(400)	(171)		
Transfers and Grants				(2 504)	(2 504)	(2 290)	(4 986)	(5 235)
<b>NET CASH FROM/(USED) OF</b>	<b>52 656</b>	<b>23 668</b>	<b>49 460</b>	<b>64 268</b>	<b>64 268</b>	<b>23 135</b>	<b>83 316</b>	<b>67 352</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Payments</b>								
Capital assets	(35 185)	(25 812)	(45 193)	56 847	56 847	(43 308)	(37 294)	(32 363)
<b>NET CASH FROM/(USED) IN</b>	<b>###</b>	<b>(25 812)</b>	<b>(45 193)</b>	<b>56 847</b>	<b>56 847</b>	<b>(43 308)</b>	<b>(37 294)</b>	<b>(32 363)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Payments</b>								
Repayment of borrowing	(2 623)		(2 334)	(2 900)	(2 900)	(1 000)		
<b>NET CASH FROM/(USED) FI</b>	<b>(2 623)</b>	<b>-</b>	<b>(2 334)</b>	<b>(2 900)</b>	<b>(2 900)</b>	<b>(1 000)</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE)</b>	<b>14 848</b>	<b>(2 144)</b>	<b>1 933</b>	<b>118 215</b>	<b>118 215</b>	<b>(21 173)</b>	<b>46 022</b>	<b>34 989</b>
Cash/cash equivalents at the year t	(11 277)	3 571	1 427	15 605	15 605	36 708	15 535	61 557
Cash/cash equivalents at the year e	3 571	1 427	3 360	133 820	133 820	15 535	61 557	96 546

## 2.4.7 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 23 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

MP305 Lekwa - Table A8 Cash backed reserves/accumulated surplus reconciliation								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year	Budget Year +1	Budget Year +2
<b>Cash and investments available</b>								
Cash/cash equivalents at the year end	3 571	1427	3 360	133 820	133 820	15 535	61 557	96 546
Other current investments > 90 days	12 111	7 534	12 245	(115 751)	(115 751)	36 874	(24 707)	(65 396)
Non current assets - Investments	—	—	—	—	—	—	—	—
<b>Cash and investments available:</b>	<b>15 682</b>	<b>8 961</b>	<b>15 605</b>	<b>18 069</b>	<b>18 069</b>	<b>52 409</b>	<b>36 850</b>	<b>31 150</b>
<b>Application of cash and investments</b>								
Unspent conditional transfers	17 082	18 347	14 161	—	—	15 000	—	—
Unspent borrowing	—	—	—	—	—	—	—	—
Statutory requirements								
Other working capital requirements	(3 671)	27 133	44 678	14 093	10 009	60 292	46 140	44 774
Other provisions								
Long term investments committed	—	—	—	—	—	—	—	—
Reserves to be backed by cash/investments								
<b>Total Application of cash and investments</b>	<b>13 411</b>	<b>45 480</b>	<b>58 839</b>	<b>14 093</b>	<b>10 009</b>	<b>75 292</b>	<b>46 140</b>	<b>44 774</b>
<b>Surplus(shortfall)</b>	<b>2 270</b>	<b>(36 518)</b>	<b>(43 233)</b>	<b>3 976</b>	<b>8 060</b>	<b>(22 882)</b>	<b>(9 290)</b>	<b>(13 624)</b>

## 2.4.8 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 24 MBRR SA10 – Funding compliance measurement**

MP305 Lekwa Supporting Table SA10 Funding measurement								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Funding measures</b>								
Cash/cash equivalents at the year end - R'000	3 571	1427	3 360	133 820	133 820	15 535	6 1557	96 546
Cash + investments at the yr end less applications - R'000	2 270	(36 518)	(43 233)	3 976	8 060	(22 882)	(9 290)	(13 624)
Cash year end/monthly employee/supplier payments	0.2	0.1	0.1	4.3	4.3	0.4	1.7	2.4
Surplus/(Deficit) excluding depreciation offsets: R'000	42 945	(4 321)	(122 680)	(192)	(44 626)	(157 533)	(164 439)	(178 035)
Service charge rev %change - macro CPIX target exclusive	N.A.	4.0%	7.6%	29.0%	(13.9%)	8.8%	(1.0%)	(1.0%)
Cash receipts %of Ratepayer & Other revenue	112.7%	100.8%	123.8%	84.3%	91.8%	78.5%	96.7%	96.4%
Debt impairment expense as a %of total billable revenue	0.0%	0.0%	13.3%	13.1%	19.7%	17.7%	17.7%	17.7%
Capital payments %of capital expenditure	238.1%	130.9%	102.4%	(100.0%)	(82.9%)	100.0%	100.0%	100.0%
Borrowing receipts %of capital expenditure (excl. transfers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants %of Govt. legislated/gazetted allocations						0.0%	0.0%	0.0%
Current consumer debtors %change - incr(decr)	N.A.	11.8%	11.7%	20.1%	0.0%	(30.7%)	15.4%	(9.1%)
Long term receivables %change - incr(decr)	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M %of Property Plant & Equipment	28.2%	37.8%	0.8%	19.7%	15.9%	0.7%	0.8%	0.9%
Asset renewal %of capital budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## 2.5 Councillor and employee benefits

**Table 25 MBRR SA22 - Summary of councillor and staff benefits**

MP305 Lekwa - Supporting Table SA22 Summary councillor and staff benefits								
Summary of Employee and Councillor remuneration	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
	A	B	C	D	E	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>								
Basic Salaries and Wages	2 744			6 296	6 296	4 812	5 293	5 822
Pension and UIF Contributions	750					967	1 064	1 170
Medical Aid Contributions	145							
Motor Vehicle Allowance	1 180			1 746	1 746	2 280	2 508	2 759
Cellphone Allowance	284			361	361	447	492	541
Housing Allowances								
Other benefits and allowances						48	53	58
<b>Sub Total - Councillors</b>	<b>5 104</b>	<b>-</b>	<b>-</b>	<b>8 402</b>	<b>8 402</b>	<b>8 554</b>	<b>9 410</b>	<b>10 351</b>
% increase		(100.0%)	-	-	-	1.8%	10.0%	10.0%
<b>Senior Managers of the Municipality</b>								
Basic Salaries and Wages	2 591	2 977	1 917	5 339	1 844	4 792	5 271	5 799
<b>Sub Total - Senior Managers of Municipality</b>	<b>2 591</b>	<b>2 977</b>	<b>1 917</b>	<b>5 339</b>	<b>1 844</b>	<b>4 792</b>	<b>5 271</b>	<b>5 799</b>
% increase		14.9%	(35.6%)	178.5%	(65.5%)	159.9%	10.0%	10.0%
<b>Other Municipal Staff</b>								
Basic Salaries and Wages	45 185	65 159	54 373	74 935	61 819	69 524	73 650	78 007
Pension and UIF Contributions	8 658	11 441	12 348	16 835	13 867	14 138	15 045	16 005
Medical Aid Contributions	4 372	5 316	5 866	4 747	5 842	6 551	6 985	7 447
Overtime	6 537	10 830	13 704	5 127	12 052	4 136	6 114	6 624
Performance Bonus								
Motor Vehicle Allowance	2 797	4 417	4 894	3 347	3 219	3 060	3 183	3 304
Cellphone Allowance	30	1 085	1 580	155	702	7	(7)	(24)
Housing Allowances	427	720	381	436	357	349	382	414
Other benefits and allowances	1 433	1 727	2 464	1 964	2 843	2 619	2 809	3 009
Payments in lieu of leave	254	186	623	221	398	417	451	486
Long service awards	317	837	1 192	245	334	362	392	423
Post-retirement benefit obligations								
<b>Sub Total - Other Municipal Staff</b>	<b>70 010</b>	<b>101 718</b>	<b>97 424</b>	<b>108 013</b>	<b>101 432</b>	<b>101 165</b>	<b>109 004</b>	<b>115 695</b>
% increase		45.3%	(4.2%)	10.9%	(6.1%)	(0.3%)	7.7%	6.1%
<b>Total Parent Municipality</b>	<b>77 704</b>	<b>104 695</b>	<b>99 341</b>	<b>121 754</b>	<b>111 679</b>	<b>114 511</b>	<b>123 685</b>	<b>131 844</b>

**Table 26 MBRR SA24 – Summary of personnel numbers**

MP305 Lekwa - Supporting Table SA24 Summary of personnel numbers						
Summary of Personnel Numbers	Current Year 2012/13			Budget Year 2013/14		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>						
Councillors (Political Office Bearers p	31		31	31		31
Board Members of municipal entities	–			–		
<b>Municipal employees</b>						
Municipal Manager and Senior Manag	6		6	6		6
Other Managers	28	28		29	29	
Professionals	26	26	–	31	31	–
Finance	9	9		14	14	
Spatial/town planning	1	1		1	1	
Information Technology						
Roads						
Electricity						
Water						
Sanitation						
Refuse	1	1		1	1	
Other	15	15		15	15	
Technicians	37	36	–	37	36	–
Finance	8	8		8	8	
Spatial/town planning	–			–		
Information Technology	2	1		2	1	
Roads	2	2		2	2	
Electricity	6	6		6	6	
Water	3	3		3	3	
Sanitation	1	1		1	1	
Refuse	1	1		1	1	
Other	14	14		14	14	
Clerks (Clerical and administrative)	128	128		128	128	
Service and sales workers	103	103		103	103	
Skilled agricultural and fishery worker	–			–		
Craft and related trades	64	64		64	64	
Plant and Machine Operators	83	83		83	83	
Elementary Occupations						
<b>TOTAL PERSONNEL NUMBERS</b>	<b>506</b>	<b>468</b>	<b>37</b>	<b>512</b>	<b>474</b>	<b>37</b>

## **2.6 Monthly targets for revenue, expenditure and cash flow**

Table 27 MBRR SA25 - Budgeted monthly revenue and expenditure

MP305 Lekwa - Supporting Table SA25 Budgeted monthly revenue and expenditure														
Description	Budget Year 2013/14												Medium Term Revenue and Framework	
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15
<b>Revenue By Source</b>														
Property rates	3 482	3 482	3 482	3 482	3 482	3 482	3 482	3 482	3 482	3 482	3 482	3 482	41 789	43 879
Property rates - penalties & collection charges												—	—	—
Service charges - electricity revenue	17 392	17 392	17 392	17 392	17 392	17 392	17 392	17 392	17 392	17 392	17 392	17 392	208 700	219 135
Service charges - water revenue	2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	35 396	37 165
Service charges - sanitation revenue	1910	1910	1910	1910	1910	1910	1910	1910	1910	1910	1910	1910	22 920	24 067
Service charges - refuse revenue	1086	1086	1086	1086	1086	1086	1086	1086	1086	1086	1086	1086	13 031	13 683
Service charges - other												—	—	—
Rental of facilities and equipment	66	66	66	66	66	66	66	66	66	66	66	66	792	838
Interest earned - external investments	51	51	51	51	51	51	51	51	51	51	51	51	606	637
Interest earned - outstanding debtors	1299	1299	1299	1299	1299	1299	1299	1299	1299	1299	1299	1299	15 585	16 365
Dividends received												—	—	—
Fines	225	225	225	225	225	225	225	225	225	225	225	225	2 705	2 842
Licences and permits	1689	1689	1689	1689	1689	1689	1689	1689	1689	1689	1689	1689	20 263	21 278
Agency services												—	—	—
Transfers recognised - operational	43 440					17 286			25 929			15	86 670	90 043
Other revenue	74	74	74	74	74	74	74	74	74	74	74	74	886	953
Gains on disposal of PPE												—	—	—
<b>Total Revenue (excluding capital transfers)</b>	<b>73 663</b>	<b>30 223</b>	<b>30 223</b>	<b>30 223</b>	<b>30 223</b>	<b>47 509</b>	<b>30 223</b>	<b>30 223</b>	<b>56 152</b>	<b>30 223</b>	<b>30 223</b>	<b>30 238</b>	<b>449 343</b>	<b>470 885</b>
<b>Expenditure By Type</b>														
Employee related costs	8 830	8 830	8 830	8 830	8 830	8 830	8 830	8 830	8 830	8 830	8 830	8 830	105 957	114 275
Remuneration of councillors	713	713	713	713	713	713	713	713	713	713	713	713	8 554	9 410
Debt impairment	4 761	4 761	4 761	4 761	4 761	4 761	4 761	4 761	4 761	4 761	4 761	4 761	57 133	59 990
Depreciation & asset impairment	11 175	11 175	11 175	11 175	11 175	11 175	11 175	11 175	11 175	11 175	11 175	11 175	134 096	134 225
Finance charges	142	142	142	142	142	142	142	142	142	142	142	142	1 699	—
Bulk purchases	16 502	16 502	16 502	16 502	16 502	16 502	16 502	16 502	16 502	16 502	16 502	16 502	198 020	213 622
Other materials	243	243	243	243	243	243	243	243	243	243	243	243	2 916	3 396
Contracted services	1694	1694	1694	1694	1694	1694	1694	1694	1694	1694	1694	1694	20 322	16 790
Transfers and grants	1691	1691	1691	1691	1691	1691	1691	1691	1691	1691	1691	1691	20 290	21 305
Other expenditure	4 824	4 824	4 824	4 824	4 824	4 824	4 824	4 824	4 824	4 824	4 824	4 824	57 889	62 311
Loss on disposal of PPE												—	—	—
<b>Total Expenditure</b>	<b>50 573</b>	<b>50 573</b>	<b>50 573</b>	<b>50 573</b>	<b>50 573</b>	<b>50 573</b>	<b>50 573</b>	<b>50 573</b>	<b>50 573</b>	<b>50 573</b>	<b>50 573</b>	<b>50 573</b>	<b>606 876</b>	<b>635 324</b>
<b>Surplus/(Deficit)</b>	<b>23 090</b>	<b>(20 350)</b>	<b>(20 350)</b>	<b>(20 350)</b>	<b>(20 350)</b>	<b>(3 064)</b>	<b>(20 350)</b>	<b>(20 350)</b>	<b>5 579</b>	<b>(20 350)</b>	<b>(20 350)</b>	<b>(20 335)</b>	<b>(157 533)</b>	<b>(164 439)</b>
Transfers recognised - capital												—	—	—

**Table 28 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

MP305 Lekwa - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)																							
Description	Ref	Budget Year 2013/14												Medium Term Revenue and Expenditure Framework									
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year	Budget Year +1	Budget Year +2							
Revenue by Vote																							
Vote 1 - Council & Executive		38 214	2	2	2	2	17 288	2	2	25 931	2	2	4	81454	85 064	88 267							
Vote 2 - Budget & Treasury		4 114	1312	1312	1312	1312	1312	1312	1312	1312	1312	1312	1678	18 908	19 829	20 779							
Vote 3 - Corporate		3 879	3 588	3 588	3 588	3 588	3 588	3 588	3 588	3 588	3 588	3 588	3 298	43 059	45 215	47 478							
Vote 4 - Community Services		250	250	250	250	250	250	250	250	250	250	250	250	2 998	3 159	3 327							
Vote 5 - Roads		1690	1690	1690	1690	1690	1690	1690	1690	1690	1690	1690	1690	20 284	21304	22 375							
Vote 6 - Planning & Development		2 070	4	4	4	4	4	4	4	4	4	4	5	2 115	1755	1501							
Vote 7 - Electricity		17 430	17 430	17 430	17 430	17 430	17 430	17 430	17 430	17 430	17 430	17 430	17 430	209 154	219 615	230 599							
Vote 8 - Water		2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	2 950	35 403	37 174	39 034							
Vote 9 - Waste Water Management		1910	1910	1910	1910	1910	1910	1910	1910	1910	1910	1910	1910	22 924	24 072	25 277							
Vote 10 - Waste Management		1087	1087	1087	1087	1087	1087	1087	1087	1087	1087	1087	1087	13 044	13 698	14 385							
Total Revenue by Vote		73 593	30 223	30 223	30 223	30 223	47 509	30 223	30 223	56 152	30 223	30 223	30 302	449 343	470 885	493 022							
Expenditure by Vote to be appropriated																							
Vote 1- Council & Executive		16 000	16 000	16 000	16 000	16 000	16 000	16 000	16 000	16 000	16 000	16 000	16 000	192 000	195 434	198 916							
Vote 2 - Budget & Treasury		7 225	7 225	7 225	7 225	7 225	7 225	7 225	7 225	7 225	7 225	7 225	7 225	86 700	84 518	92 229							
Vote 3 - Corporate		1280	1280	1280	1280	1280	1280	1280	1280	1280	1280	1280	1280	15 362	16 277	17 243							
Vote 4 - Community Services		2 583	2 583	2 583	2 583	2 583	2 583	2 583	2 583	2 583	2 583	2 583	2 583	30 991	33 127	35 477							
Vote 5 - Roads		2 739	2 739	2 739	2 739	2 739	2 739	2 739	2 739	2 739	2 739	2 739	2 739	32 870	36 293	37 039							
Vote 6 - Planning & Development		200	200	200	200	200	200	200	200	200	200	200	200	2 401	2 524	2 693							
Vote 7 - Electricity		17 049	17 049	17 049	17 049	17 049	17 049	17 049	17 049	17 049	17 049	17 049	17 049	204 587	220 648	237 983							
Vote 8 - Water		1818	1818	1818	1818	1818	1818	1818	1818	1818	1818	1818	1818	21815	22 995	24 240							
Vote 9 - Waste Water Management		623	623	623	623	623	623	623	623	623	623	623	623	7 481	7 950	8 450							
Vote 10 - Waste Management		1056	1056	1056	1056	1056	1056	1056	1056	1056	1056	1056	1056	12 668	15 606	16 836							
Total Expenditure by Vote		50 573	50 573	50 573	50 573	50 573	50 573	50 573	50 573	50 573	50 573	50 573	50 573	606 876	635 371	671 106							
Surplus/(Deficit) before		23 020	(20 350)	(20 350)	(20 350)	(20 350)	(3 064)	(20 350)	(20 350)	5 579	(20 350)	(20 350)	(20 271)	(157 533)	(164 486)	(178 084)							



**Table 29 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

MP305 Lekwa - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)														
Description	Budget Year 2013/14												Medium Term Revenue and Framework	
R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15
<b>Capital Expenditure - Standard</b>														
<b>Governance and administration</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Executive and council	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>	<b>838</b>	<b>838</b>	<b>838</b>	<b>838</b>	<b>838</b>	<b>838</b>	<b>838</b>	<b>838</b>	<b>838</b>	<b>838</b>	<b>838</b>	<b>838</b>	<b>10 056</b>	<b>3 000</b>
Community and social services	583	583	583	583	583	583	583	583	583	583	583	583	7 000	-
Sport and recreation	255	255	255	255	255	255	255	255	255	255	255	255	3 056	3 000
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>167</b>	<b>167</b>	<b>167</b>	<b>167</b>	<b>167</b>	<b>167</b>	<b>167</b>	<b>167</b>	<b>167</b>	<b>167</b>	<b>167</b>	<b>167</b>	<b>2 000</b>	<b>2 000</b>
Planning and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road transport	167	167	167	167	167	167	167	167	167	167	167	167	2 000	2 000
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	<b>2 604</b>	<b>2 604</b>	<b>2 604</b>	<b>2 604</b>	<b>2 604</b>	<b>2 604</b>	<b>2 604</b>	<b>2 604</b>	<b>2 604</b>	<b>2 604</b>	<b>2 604</b>	<b>2 604</b>	<b>31 252</b>	<b>32 294</b>
Electricity	183	183	183	183	183	183	183	183	183	183	183	183	2 200	2 000
Water	838	838	838	838	838	838	838	838	838	838	838	838	10 052	7 000
Waste water management	1583	1583	1583	1583	1583	1583	1583	1583	1583	1583	1583	1583	19 000	17 294
Waste management	-	-	-	-	-	-	-	-	-	-	-	-	-	6 000
<b>Other</b>														
<b>Total Capital Expenditure - Standard</b>	<b>3 609</b>	<b>3 609</b>	<b>3 609</b>	<b>3 609</b>	<b>3 609</b>	<b>3 609</b>	<b>3 609</b>	<b>3 609</b>	<b>3 609</b>	<b>3 609</b>	<b>3 609</b>	<b>3 609</b>	<b>43 308</b>	<b>37 294</b>

Table 30 MBRR SA30 - Budgeted monthly cash flow

MP305 Lekwa - Supporting Table SA30 Budgeted monthly cash flow														
MONTHLY CASH FLOWS	Budget Year 2013/14												Medium Term Revenue and Framework	
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2013/14	Budget Year +1 2014/15
<b>Cash Receipts By Source</b>													1	
Property rates	2 542	2 542	2 542	2 542	2 542	2 542	2 542	2 542	2 542	2 542	2 542	2 542	30 506	37 297
Property rates - penalties & collection charges	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Service charges - electricity revenue	14 748	14 748	14 748	14 748	14 748	14 748	14 748	14 748	14 748	14 748	14 748	14 748	176 971	219 135
Service charges - water revenue	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	2 153	25 839	37 165
Service charges - sanitation revenue	1 394	1 394	1 394	1 394	1 394	1 394	1 394	1 394	1 394	1 394	1 394	1 394	16 732	24 067
Service charges - refuse revenue	793	793	793	793	793	793	793	793	793	793	793	793	9 513	13 683
Service charges - other	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Rental of facilities and equipment	66	66	66	66	66	66	66	66	66	66	66	66	792	838
Interest earned - external investments	51	51	51	51	51	51	51	51	51	51	51	51	606	637
Interest earned - outstanding debtors	948	948	948	948	948	948	948	948	948	948	948	948	11 377	16 365
Dividends received	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fines	225	225	225	225	225	225	225	225	225	225	225	225	2 705	2 842
Licences and permits	1689	1689	1689	1689	1689	1689	1689	1689	1689	1689	1689	1689	20 263	21 278
Agency services	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer receipts - operational	43 440	—	—	—	—	17 286	—	—	25 929	—	—	15	86 670	90 043
Other revenue	74	74	74	74	74	74	74	74	74	74	74	74	886	953
<b>Cash Receipts by Source</b>	<b>68 122</b>	<b>24 682</b>	<b>24 682</b>	<b>24 682</b>	<b>24 682</b>	<b>41 968</b>	<b>24 682</b>	<b>24 682</b>	<b>50 611</b>	<b>24 682</b>	<b>24 682</b>	<b>24 697</b>	<b>382 859</b>	<b>464 303</b>
<b>Other Cash Flows by Source</b>														
Transfer receipts - capital	19 554	—	—	—	—	17 003	—	—	5 951	—	—	—	42 508	37 294
<b>Total Cash Receipts by Source</b>	<b>87 676</b>	<b>24 682</b>	<b>24 682</b>	<b>24 682</b>	<b>24 682</b>	<b>58 972</b>	<b>24 682</b>	<b>24 682</b>	<b>56 563</b>	<b>24 682</b>	<b>24 682</b>	<b>24 697</b>	<b>425 368</b>	<b>501 597</b>
<b>Cash Payments by Type</b>														
Employee related costs	8 830	8 830	8 830	8 830	8 830	8 830	8 830	8 830	8 830	8 830	8 830	8 830	105 957	114 275
Remuneration of councillors	713	713	713	713	713	713	713	713	713	713	713	713	8 554	9 410
Finance charges	143	143	143	143	143	143	143	143	143	143	143	143	1 711	1 033
Bulk purchases - Electricity	15 835	15 835	15 835	15 835	15 835	15 835	15 835	15 835	15 835	15 835	15 835	15 835	190 020	205 222
Bulk purchases - Water & Sewer	667	667	667	667	667	667	667	667	667	667	667	667	8 000	8 400
Other materials	243	243	243	243	243	243	243	243	243	243	243	243	2 916	3 396
Contracted services	1 694	1 694	1 694	1 694	1 694	1 694	1 694	1 694	1 694	1 694	1 694	1 694	20 322	16 790
Transfers and grants - other municipalities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers and grants - other	191	191	191	191	191	191	191	191	191	191	191	191	2 290	2 405
Other expenditure	4 538	4 538	4 538	4 538	4 538	4 538	4 538	4 538	4 538	4 538	4 538	4 538	54 462	65 711
<b>Cash Payments by Type</b>	<b>32 853</b>	<b>32 853</b>	<b>32 853</b>	<b>32 853</b>	<b>32 853</b>	<b>32 853</b>	<b>32 853</b>	<b>32 853</b>	<b>32 853</b>	<b>32 853</b>	<b>32 853</b>	<b>32 853</b>	<b>394 231</b>	<b>426 642</b>
<b>Other Cash Flows/Payments by Type</b>														
Capital assets	3 609	3 609	3 609	3 609	3 609	3 609	3 609	3 609	3 609	3 609	3 609	3 609	43 308	37 294
Repayment of borrowing	—	—	500	—	—	—	—	—	500	—	—	—	1 000	—
Other Cash Flows/Payments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total Cash Payments by Type</b>	<b>36 462</b>	<b>36 462</b>	<b>36 962</b>	<b>36 462</b>	<b>36 462</b>	<b>36 462</b>	<b>36 462</b>	<b>36 462</b>	<b>36 962</b>	<b>36 462</b>	<b>36 462</b>	<b>36 462</b>	<b>438 539</b>	<b>463 936</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>51 215</b>	<b>(11 779)</b>	<b>(12 279)</b>	<b>(11 779)</b>	<b>(11 779)</b>	<b>22 510</b>	<b>(11 779)</b>	<b>(11 779)</b>	<b>19 601</b>	<b>(11 779)</b>	<b>(11 779)</b>	<b>(11 764)</b>	<b>(13 172)</b>	<b>37 661</b>
Cash/cash equivalents at the month/year beginning	36 708	87 923	76 144	63 864	52 085	40 306	62 816	51 037	39 258	58 859	47 080	35 300	36 708	23 536
Cash/cash equivalents at the month/year end	87 923	76 144	63 864	52 085	40 306	62 816	51 037	39 258	58 859	47 080	35 300	23 536	23 536	61 197

## 2.7 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years).

## 2.8 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

**Table 31 MBRR SA 34a - Capital expenditure on new assets by asset class**

MP305 Lekwa - Supporting Table SA34a Capital expenditure on new assets by asset class								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>								
<b>Infrastructure</b>	<b>14 545</b>	<b>18 427</b>	<b>34 570</b>	<b>37 302</b>	<b>43 878</b>	<b>12 200</b>	<b>16 294</b>	<b>17 083</b>
Infrastructure - Road transport	13 587	14 587	29 570	8 757	13 794	2 000	2 000	5 000
Roads, Pavements & Bridges	13 587	14 587	29 570	6 757	8 394	2 000	2 000	5 000
Storm water				2 000	5 400			
Infrastructure - Electricity	453	1 193	2 102	3 900	2 913	2 200	2 000	2 000
Generation								
Transmission & Reticulation	453	856		1 900	557			
Street Lighting		338	2 102	2 000	2 356	2 200	2 000	2 000
Infrastructure - Water	—	2 646	832	10 000	6 500	3 800	2 000	2 083
Dams & Reservoirs				1 000	—			
Water purification		2 646	832	6 500	6 500	800	—	—
Reticulation				2 500	—	3 000	2 000	2 083
Infrastructure - Sanitation	504	—	1 973	7 701	10 201	4 200	7 294	5 000
Reticulation				2 701	2 701	4 200	2 000	2 000
Sewerage purification	504		1 973	5 000	7 500	—	5 294	3 000
Infrastructure - Other	—	—	93	6 944	10 470	—	3 000	3 000
Waste Management			93	6 944	10 470	—	3 000	3 000
<b>Community</b>	<b>—</b>	<b>—</b>	<b>6 557</b>	<b>13 045</b>	<b>18 208</b>	<b>10 056</b>	<b>3 000</b>	<b>2 000</b>
Sportsfields & stadia				8 045	9 412	3 056	3 000	2 000
Community halls			6 380	5 000	8 796	7 000	—	—
Other			177					
<b>Other assets</b>	<b>233</b>	<b>1 297</b>	<b>2 988</b>	<b>6 500</b>	<b>6 500</b>	<b>—</b>	<b>—</b>	<b>—</b>
Specialised vehicles	—	—	—	—	—	—	—	—
Plant & equipment		1 226	249					
Furniture and other office equipment	233	71	2 732	6 500	6 500			
Other			8					
<b>Total Capital Expenditure on new assets</b>	<b>14 778</b>	<b>19 724</b>	<b>44 115</b>	<b>56 847</b>	<b>68 587</b>	<b>22 256</b>	<b>19 294</b>	<b>19 083</b>

**Table 32 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class**

R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</b>								
<b>Infrastructure</b>	–	–	–	–	–	21 052	18 000	13 280
Infrastructure - Road transport	–	–	–	–	–	–	–	–
Infrastructure - Water	–	–	–	–	–	6 252	5 000	5 000
Dams & Reservoirs								
Water purification								
Reticulation						6 252	5 000	5 000
Infrastructure - Sanitation	–	–	–	–	–	14 800	10 000	8 280
Reticulation								
Sewerage purification						14 800	10 000	8 280
Infrastructure - Other	–	–	–	–	–	–	3 000	–
Waste Management							3 000	
Transportation								
Gas								
Other								
<b>Total Capital Expenditure on renewal of existing assets</b>	–	–	–	–	–	21 052	18 000	13 280

**Table 33 MBRR SA34c - Repairs and maintenance expenditure by asset class**

MP305 Lekwa - Supporting Table SA34c Repairs and maintenance expenditure by asset class								
Description	2009/10	2010/11	2011/12	Current Year 2012/13		2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>								
<b>Infrastructure</b>	5 158	8 823	8 852	8 709	7 217	8 158	9 949	9 315
Infrastructure - Road transport	108	1882	1448	1334	710	1138	2 576	1567
Roads, Pavements & Bridges	108	1882	1448	1334	710	1138	2 576	1567
Storm water								
Infrastructure - Electricity	3 754	4 001	4 205	4 910	3 442	4 022	4 224	4 439
Generation								
Transmission & Reticulation	3 563	3 552	3 880	4 210	3 030	3 422	3 594	3 777
Street Lighting	192	449	324	700	412	600	630	662
Infrastructure - Water	811	2 277	2 067	1935	2 235	2 098	2 204	2 316
Dams & Reservoirs								
Water purification	811	2 277	2 067	1935	2 235	2 098	2 204	2 316
Reticulation								
Infrastructure - Sanitation	485	662	1132	530	830	900	945	993
Reticulation	485	662	1132	530	830	900	945	993
<b>Other assets</b>	4 935	7 882	6 439	5 570	4 230	4 662	4 956	5 258
General vehicles	1908	3 349	3 585	2 395	2 357	2 376	2 558	2 728
Specialised vehicles	–	–	–	–	–	–	–	–
Plant & equipment	1 131	2 696	1640	1384	1330	1588	1661	1753
Computers - hardware/equipment	108	104	253	200	50	52	55	58
Furniture and other office equipment	112	135	7	14	6	14	15	16
Other Buildings	350	1 191	437	913	357	332	354	375
Other Land	1253	299	356	526	22	129	139	145
Other	73	108	162	139	107	171	174	183
<b>Intangibles</b>	734	747	449	291	301	345	329	350
Computers - software & programming	734	747	449	291	301	345	329	350
<b>Total Repairs and Maintenance Expenditure</b>	<b>10 827</b>	<b>17 452</b>	<b>15 739</b>	<b>14 570</b>	<b>11 748</b>	<b>13 164</b>	<b>15 234</b>	<b>14 923</b>

**Table 34 MBRR SA35 - Future financial implications of the capital budget**

MP305 Lekwa - Supporting Table SA35 Future financial implications of the capital budget							
Vote Description	2013/14 Medium Term Revenue & Expenditure Framework			Forecasts			
R thousand	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Present value
<b>Capital expenditure</b>							
Vote 1 - Council & Executive	–	–	–				
Vote 2 - Budget & Treasury	–	–	–				
Vote 3 - Corporate	–	–	–				
Vote 4 - Community Services	10 056	3 000	2 000	11 058	11 058	11 058	48 175
Vote 5 - Roads	2 000	2 000	5 000	278 925	278 925	278 925	836 774
Vote 6 - Planning & Development	–	–	–				
Vote 7 - Electricity	2 200	2 000	2 000	9 955	9 955	9 955	29 866
Vote 8 - Water	10 052	7 000	7 083	2 116			2 116
Vote 9 - Waste Water Management	19 000	17 294	13 280	19 790	19 790	19 790	59 280
Vote 10 - Waste Management	–	6 000	3 000	4 292	4 292	4 292	12 875
<b>Total Capital Expenditure</b>	<b>43 308</b>	<b>37 294</b>	<b>32 363</b>	<b>326 136</b>	<b>324 020</b>	<b>324 020</b>	<b>989 085</b>

Table 35 MBRR SA36 - Detailed capital budget per municipal vote

MP305 Lekwa - Supporting Table SA36 Detailed capital budget									
Municipal Vote/Capital project	Program/Project description	Project number	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Total Project Estimate	2013/14 Medium Term Revenue & Expenditure Framework		
R thousand			6	3	3		Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Parent municipality:									
List all capital projects grouped by Municipal Vote									
Waste Water Management	Upgrading of Standerton Waste Water Treatment Works	WIG1/2013/1	Yes	Infrastructure - Sanitation	Sewerage purification	60 000	14 800	10 000	8 280
Roads	Gravelling of Roads within Lekwa Municipality	WIG2/2013/1	Yes	Infrastructure - Road transport	Roads, Pavements & Bridges	24 000	2 000	2 000	5 000
Waste Water Management	Sanitation Services for 53 households in Rooiwal	WIG3/2013/1	Yes	Infrastructure - Sanitation	Reticulation	1600	1200		
Community & Social Services	Construction of Multi-Purpose Community Hall	WIG4/2013/1	Yes	Community	Community halls	7 000	7 000		
Sports & Recreations	Sporting Facilities in Lekwa	WIG5/2013/1	Yes	Community	Sportsfields & stadia	33 175	2 000	3 000	2 000
Water	Replacement of AC pipes with PVC pipes	WIG6/2013/1	Yes	Infrastructure - Water	Transmission & Reticulation	40 000	6 252	5 000	5 000
Waste Water Management	Installation of VIP toilets in Rural Areas	WIG7/2013/1	Yes	Infrastructure - Sanitation	Reticulation	24 000	3 000	2 000	2 000
Water	Installation of Boreholes with windmills in Rural Areas	WIG8/2013/1	Yes	Infrastructure - Water	Dams & Reservoirs	30 000	3 000	2 000	2 083
Water	Conduct Ground water study in the rural areas	SWP/2013/1	Yes	Infrastructure - Water	Water purification	800	800		
Sports & Recreations	Beautification	PWP1/2013/1	Yes	Community	Parks & gardens	1056	1056		
Electricity	Electricity 92 Rural Farm workers	NEP1/2013/1	Yes	Infrastructure - Electricity	Transmission & Reticulation	2 200	2 200		
Electricity	Installation of High Mast lights	WIG1/2014/1	Yes	Infrastructure - Electricity	Street Lighting	29 866		2 000	2 000
Waste Management	Upgrading of Standerton Landfill Site Phase 3	WIG2/2014/1	Yes	Infrastructure - Other	Waste Management	5 000		3 000	
Waste Water Management	Upgrading of Standerton Water Treatment Works		Yes	Infrastructure - Sanitation	Sewerage purification			5 294	3 000
Waste Management	Upgrading of Morgenzon Landfill Site		Yes	Infrastructure - Other	Waste Management			3 000	3 000
Parent Capital expenditure							43 308	37 294	32 363



## 2.9 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

### MFMA Implementation and Monitoring Checklist

The municipality is generally complying for the majority of the implementation priorities as per the National Treasury implementation and monitoring checklist. This checklist is updated quarterly and submitted to National Treasury. Below in Table 11 is a summary of progress against the plan

#### MFMA returns

Name of return	Submitted to
<b>MONTHLY</b>	
Financial Management Grant	NT/PT
Age Analysis Debtors (AD) and Creditors (AC), Cash Flow, Operating Statement Actual (OSB)	NT/PT
Section 71 Budget Statements	PT/NT
Supply Chain Management	NT/PT
MIG returns	NT/PT
MSIG	NT/PT
Conditional Grants returns NT/PT	
<b>QUARTERLY</b>	
MFMA Implementation and monitoring checklist	NT/PT
Municipal entities	NT/PT
Long-term contracts	NT/PT
Borrowing	NT/PT
<b>ANNUALLY</b>	
Budget tables return	NT/PT
Operating Statement Budget	NT/PT
Cashflow Budget	NT/PT
Budget Capital Acquisition	NT/PT
Budget Evaluation Check list	



**Audit units and audit committees**

The internal audit function of the municipality is now functional, but vacant positions in this section still needs to be filled. The municipality has an audit committee in place comprising of independent members as required by section 166 of the MFMA. The Audit Committee meets at least quarterly.

**Tabling of section 71 reports**

Section 71 reports are submitted to the Executive Mayor and also forwarded to National Treasury/Provincial treasury on a monthly basis.

**Delegations**

All delegations are not yet in place.

**Performance agreements**

The performance agreements for 2012/2013 has not yet been finalized, and SDBIP has been approved. For the 2013/2014 financial year performance agreements must be signed timeously.

**Risk management**

The municipality have an updated risk management strategy and plan in place.

**Implementation of SCM**

The new supply chain management policy of the municipality, in line with the MFMA and national treasury prescripts, was adopted by council in October 2007. All bid committees as required by the SCM regulations are in place and the bid adjudication is chaired by the chief financial officer and operates within delegated powers.

**Effectiveness of Budget steering committees**

The budget steering committee has been established.

## 2.10 Municipal manager's quality certificate

I ....., municipal manager of Lekwa Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal manager of Lekwa Local Municipality (MP305)

Signature \_\_\_\_\_

Date \_\_\_\_\_